Volume 9 No 5 (Issue 322) February 21, 1979

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The Rural Water Supply Schemes: Water is drawn from a suitable source and through Fibrolite AC pipes to a main reservoir. From there it is piped to on-farm tanks, up hill and down dale, for reticulation to the farm house and water troughs. You get as much water as you require each day in units of 1000 litres.

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Chile trade ban bites but some exporters foil FOL

by Warren Berryman THE Federation of Labour's ban on trade with Chile is costing New Zealand an estimated \$100 million in lost

export opportunities.

New Zealand is the last country enforcing the trade ban imposed by the ILO and International Confederation of Free Trade Unions after the Pinochet overthrow of Allende's communist

Chile is enjoying an economic resurgence and New Zealand exporters are breaking the FOL ban by transhipping goods through third countries to Chile.

Several New Zealand

companies already have agents in Chile. Others are researching this expanding The FOL ban imposed in 1974

after the Pinochet regime jailed or murdered Chilean unionists brought New Zealand exports to Chile from \$18 million a year to virtually nil.

New Zealand statistics show an increase in exports to Chile from \$33,788 for the 1976-77 year to \$289,651 for the first

New Zealand's unofficial exports to Chile would

with manufacturers last week hundreds housands of dollars worth of exports going to Chile via transhipment. These exports are waybilled out of New Curope, or the American wost ifixed, sent on to Chile.



Institute and Export Year Committee — have been putting pressure on the Government and the FOL to have the ban lifted to allow direct New Zealand-Chile

Trade sources, many of which have been in Chile or have agents there, estimate \$60-\$100 million a year for New

Jose Cruz, the Chilean Commercial Attache in Wellington, said the Dairy Board could supply a Government-funded scheme to give milk worth \$30 million to schoolchildren. This was just a start, he said.

The pressure on the FOL to drop the ban will undoubtedly.



SIR TOM SKINNER, JIM KNOX ... against Chile trade:

marketing officer in Santiago. cutting off our nose to spite our in Chile has deteriorated in tatorships, Skinner said that face. Communist China had one of the biggest pavilions at elections were a farce, unionists living outside the November's trade fair in unionists had been jailed, country or in jail. Santiago; Chile buys more there was no free trade union than \$US1/2 billion worth of goods a year from the United The ILO and ICFTU had called States, and has \$47 million worth of two-way trade with staunchly unionist Britain; effect to the buys about \$1/4 billion worth

Australia lifted the ban last April, and has sold an stimated \$20 million worth of goods to Chile in the last six

Under the guidance o Milton Freidman's "Chicago Boys", Chile has cut inflation in half cach year since the overthrow of Allende, when inflation was running at 1000

Chile's balance of payments improved from a \$US30 million deficit in 1977 to a \$US305 million surplus in 1978.

Chile can afford to buy. And there is a ready market for meat, dairy products, and manufactures, especially sophisticated farm equipment. As part of Chile's Freid-

manite free trade policy, tariff barriers have been cut to a low lower. Access to the market is no problem as it is for New Zealand products in most of

Chile with relatively little difficulty, but heavy goods can be sent only by ship. And despite the fact that they are facing redundancies through facing redundancies through lack of trade, the maritime

cargo.
The ban has not affected New Zealand imports from Chile. Chile doubled its exports to New Zealand during the 1977-78 year.

took over the dealings with the ILO and ICFTU from Sir Tom Skinner at the outset of the Chile coup d'etat, when Skinner gave up his overseas

Knox has retained a staunch anti-Chile stance, despite pleas from the Export Institute. Knox was offered a no strings attached, fully paid trip to Chile by the Chilean Government. A Chilean Embassy spokesman said they wanted Knox to go and see for himself, but Knox turned the

offer down.
Skinner last week releated the claim that New Zealand was the only country enforcing the ban. He also rejected as propagands the Children.

recent weeks. The free union no other country had all its movement in Chile, he said. for an intensification of the ban. And the FOL would give effect to the ICFTU resolutions, he said.

possible to impose the ban completely, but New Zealand, being a small country with a

In fact, he said, the situation traded with other dic-

country or in jail.
Why should we refrain from trading with Chile when China dealt with them? Skinner said

Skinner is also chairman of the NZ Shipping Corporation. He said he was not aware of Shipping Corporation ships being used to break the ban . . NBR understands these united trade union movement, ships have been used in a link could do this better than most in transhipment to break the

potentially momentous mportance to the future of the country is going on. But the signs are that all the decisions will be made by a small group of people behind closed doors. Colin James

reports — Page 2. EXPORT YEAR spawned the slogan: "Let's ALL make it work." Perhaps the 1979 slogan should be: "Now DON'T throw it away." Allan Parker looks at the problems of exporting -

THE Public Accounts show evidence of pocket-bool politics; our Economic Correspondent reports Page 15

COMMENTS from to economists working in industrial relations, on the paper by T K McDonald extracts of which we printed in NBR last week - Page 20.

SUPERANNUATION NEWS-1979

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aviation policy, Frazer Norton, says there is no

justification for a carrier of-

ering a cheap fare on these

But policitical complications

with the Government of

Western Samoa must also

loom large in the mind of

Polynesian Airlines is now

running two flights a week into

New Zealand Bosing 737. Air

New Zealand also runs two

flights a week into Apia. Cheap

fares into neighbouring Pago

Page would disturb this

traffic, and would put

Polynesian Airlines Into an

financial position.

That would lead in turn to

even more precarious

Continental misses

Pago connection
CONTINENTAL AIRLINES' disincentive created by the

economy fare of \$417, Air New more political rumblings in the

Zealand manages a load factor South Pacific from Western

of only 26 per cent. This is Samon's Prime Minister

interpreted as saying more Tupola Efi, an already about the quality of Pago Pago vociferous critic of New

as a destination than any Zealand economic policy.

plans to use the Pago Pago airfare.

connection to start a new

The Ministry of Transport

has a couple of moves up its

sleeve which are designed to

stop exploitation of fares

Continental wants a one-way

\$75 fare from Pago Pago to

Auckland to attract the cheap-fare traveller as part of its

island-hopping strategy of developing tourist routes.

But the Ministry of Tran-

sport has made it clear there

will be only two fares approved between New Zealand and

Pago Pago — a first class fare

At the present return

and an economy fare.

through the cabotage area.

aviation authorities.

Anyone care for a (secretly-decided) future?

IN Wellington, a debate of potentially momentous importance to the future of the country is going on. A lot of bold people are suggesting, from the safety of their carpeted offices, radical changes

become respectable to conjure country's economic up for New Zealand a brave new world in which controls and licences have no part.

The mutterings of last year, stifled somewhat by electionyear caution, have given way could have consequences pronouncements: Bank of New troduced in the late 1930s, Zealand economist and for- changing the economic mer prime ministerial thinktanker Len Bayliss in
speeches, the Treasury and the
Reserve Bank in papers to the invisible level, among the invisible level is not about a live invisibl Prime Minister, the OECD, a If one fantasises a little, one string of economists' papers at can conjure up the possibility the science congress in of the cossetted, fat and

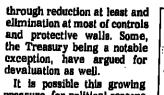
agreement about the need to ventive and energetic society make the economy more in- enjoying the battle for sur-

exception, have argued for

pressure, for political reasons as much as for economic, may In certain circles it has lead to radical changes in the radical none the less.

If carried out on anything like the scale of the OECD and Planning Council reports, they

Auckland and the Planning frightened society the 1930s measures helped to create being replaced by a lean, in-



the point is made. The argument that is going on at

And the signs are that it will politicians, that the debate be decided by a small group of that counts has been taking people behind closed doors — just as in the 1930s.

Treasury papers — has said on radio that the Prime Minister is thinking of a package to be announced at Budget time. That suggests that the decision will be taken by a few influential ministers, on the

basis of secret departmental reports, modified, perhaps, in the light of their seat-of-thepants feel for the political limits to action after, perhaps, secret discussion with a select circle of pressure group representatives. Thanks to Bayliss, the

OECD, the Planning Council level to the debate. But it is at politicians and the Cabinet

They will make the decision Deputy Finance minister You and I will have to live Hugh Templeton - who, with the effects, which in the Wellington folklore has it, has case of wholesale decontrol not even seen some of the are probably unknowable at



LEN BAYLISS tributing to debute

scraps the newspapers are Wellington grapevine to key people in the key pressure groups, we are not being given

proposed.
Not so, the apologists might protest. There is the Planning Council. Word has been passed round that, except for devaluation, the Treasury and the Reserve Bank did not substantially disagree with the broad tenor of the Planning Council's "strategy" report. Is that not sufficient on which to base a judgment?

Well, no. The Planning Council's report is a framework for decisions, not a set of proposals. It is hard, for example, to get worked up about the qualified and requalified statement on import licensing.

It gives no help with the questions: Am I going to have to go to the wall as an inefficient user of resources? Am I going to have to be retrained and relocated? and so on.

The way things seem to be going, the manufacturer in his undoubtedly the final arbite plant on the industrial estate, the parameters of his decision the farmer in the backblocks, are set by the departments. the worker on the floor will not the departments were not not know what is being proposed talking about a more conuntil it is announced, whatever the favoured few of his kind in Wellington know. Yet the efto make a decision on It. fects could be far-reaching.

In any case, for all the close and constant contact the Planning Council claims with in this instance) needs only to the Treasury and the ministry, talk to someone who has been it is by no means certain it knows the secrets. Ah, the policy formation in the past apologist might counter, it is not necessary that the Plan-matter of the importance of ning Council know the details in order to promote discussion on broad directions. The surely a case to be made for Planning Council is not there the nation — the public to influence the politicians, deciding what is the nation though in this case it forms a interest, since it did not get useful legitimising device for chance to vote on the idea of the current mainstream freer economy in the election departmental thinking. It is Even the usual caveat such there to influence the public. devaluation does there to influence the public.

Not so, says council chair necessarily apply man Frank Holmes; or rather, since we are given to we a qualified not so. The council derstand a formal devaluation the does talk to as many groups as is not favoured by the it can, to spread discussion Treasury about economic (and other) options. But , he says changes in popular attitudes to economic change will have to follow the change in policies,

But must they? What about 'open government''? What about "faking the people into one's confidence", "telling it

Is it not possible to feed to



before the Prime Minister? the public is left to deal with a

best it can, why not a dialoga before the event; a discussion stopovers (if any), fares, of the options as seen by the departments and their airlines are to be involved Well, now, the apologist his got me. I am being naive.

specific proposals, properly

the subject of the Budget

could disturb the peace of

disrupt our national interest

proposing, the pressure grow

ultimate national interest

while the Prime Minister

petitive economy, the Print

Anyone who doubts that this

is the case (with exception

from time to time, yes, but not

at the centre of departmental

the changes we are told at

might frighten the politicism

The political problem for the British Government stems from its experience with the Australian cheap fares constitution requires a public agreement and the violent minister. It is faceless, it must attacks on Australia by Aslan countries, particularly preserve the pretence that al it does is in fact done by the Singapore, among the For another, discussion d

ASEAN countries, has the most to lose from stopover traffic in Singapore and the exclusion of its airline, SIA, from the Sydney-London route. than the United Kingdon, but Angeles. negotiations aimed at settling

Government politics, at that —

are holding up agreement on a

new air fares agreement between the United Kingdom

Talks between the two

Governments and their

respective airlines on a new

fares agreement got nowhere

in Wellington at the end of last

month, and local sources now

say the patience of New

Zealand officials is wearing

Popular speculation has

was in the offing, compared

with the cheapest return ex-

cursion fare at the moment of

and New Zealand.

Shipping stoppage

proposals for air fare deal

Why Britain balked at NZ's

that the British side could not agree to any of the New around \$900 for a return trip Zcaland proposals.

Unlike the Australian cheap fares agreement which limits the carriage of traffic to Qantas and British Airways, any deal for New Zealand must involve stopovers simply because Air New Zealand does not fly all the way to London. In effect, that means we

arrangement we have now with British Airways through

It is also the reason given for raising the one-way budget fare to Los Angeles, so that it So far, the attacks by the will not be worth a traveller's ASEAN countries have been while combining the budget directed at Australia, rather fare with Laker from Los

It is hoped that making it fares including a Singapore the same, or cheaper, to fly stopover and the fares to be to London on regular services. charged by SIA to London have we will save overseas ex-

The plane, Thompson said.

tempt British Airways with in negotiations. It will also do Laker in the eye, further that if the British didn't like discrediting his cheap travel the bed they made with But to ask British Airways to by those parties, not by the pick up New Zealand traffic in Singapore for carriage to London would invite Singapore What about its airline why can't SIA get a share? • And if the New Zealand Government is prepared to

and Australian?

allow stopovers on its London

service, why can't the British

The finger would then be

pointed at the British, who are

not feeling comfortable about

the prospect, and according to

sources at the talks with the

New Zealand side, they

suggested New Zealand should

tell Singapore there would be

no stopover in the recognised

sense and that Its airline would

New Zealand apparently New Zealand flights.

not get a share of traffic.

have to get into bed with another airline at Los Angeles Singapore or Hong Kong and arrange for that airline (or airlines) to take New Zealand traffic on to London and back journey. That's basically the

What apparently happened in the UK-NZ negotiations was officials something more to

Non-Stop Los Angeles. One-Stop London. Pan Am is looking after business.

Australia, it should be remade

A similar but less intense

stopover problem applies to

Hong Kong and there is the long-standing question of participation by Cathy Pacific

New Zealand has given the

British "some time to clean up

their mess", but that time is

running out and New Zealand

is going to want something definite settled soon.

An announcement may be

Meanwhile, Qantas and

British Airways have been

having a field day in London,

Australia and Europe, selling

New Zealanders tickets which

under the old arrangements

they would have bought on Air

in the London traffic.

made this week.

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rather than precede it. like it is (will be)"?

Is it not possible for the Treasury to offer to one (or both) of the State-run ielevision channels a simplified version of the "this is our life to come" audio-visual presentation I understand was hown to ministers before Christmas outlining our

There is time yet bely chief investigating officer Paul the can for inaction just a the ANZAAS congress—the involved in the decision. filip for Nationwide THE marine engineers an average of \$65 a car, dispute that paralysed Cook against \$45 a car charged by Strait shipping brought a the Government services. He welcome filip to transport figured that because his planes entrepreneur Matt Thompson and his Haultways Group. were especially designed for the task, and burned less fuel

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and his Haulaways Group.

Thompson, now the managing director of the Government operation and the control of the covernment operation and the covernment operatio newly formed Nationwide at a loss and was subsidised by Tansport International Ltd, the taxpayer. was flying his two Carvairs fully loaded with cars on eight lights a day across the strait.

Nationwide took on another transport monopoly that week — Air New Zealand. Nationwide flow its inaugural cargo

He said he had transported wide flew its inaugural cargo more strike-stranded cars flight from Christchurch to ban had the widely publicised Auckland, charging 10 per cent ir Force-Safe Air ferry less than Air New Zealand.

Even the usual caveat abou He said was charging was full to capacity both ways.

If important changes to the to be introduced, the Gove ment is going to need, as St the case of the unions, operation from the public and the pressure groups for " political survival — and the

New Zealand is small. The

now and the Budget. Even in the mothing is eventually done the

EDITORIAL

be a shambles last week, when Prime Minister Muldoon announced a 60 per cent boost in the price of bulk power then declined to answer the multitude of questions that demanded asking, referring questionning journalists to Energy Minister

Just a few days earlier, the Government had reiterated its plan to peg the increased retail price of electricity to 5.5 per

Muldoon himself had sent telegrams to most of the country's electricity supply authorities, telling them by how much they could raise their charges (the Auckland Electric Power Board had its proposed average increase of 7 per cent

This was in line with the Government's advice to authorities late last year that the bulk national tariff was to be increased by 5 per cent from April 1 and they could adjust their own necordingly, up to a maximum 7 per cent in any individual case. But Muldoon stipulated that the national average Increase was not be exceed 5.5 per cent.

The national average did exceed the 5.5 per cent guideline, the authorities were obliged to look again at their tariffs and then came the latest Muldoon bombshell.

Ills change of mind within a week brings into question the quality of advice the Government is being given, and in turn makes suspect the way in which the Government's total chergy pricing policy is being formulated.

Examples of confused thinking within Government aren't

According to the Prime Minister last year, Maul would have a significant impact on the revitalising of New Zealand's

But in recent weeks, we have learned that only test quantities of gas will be used in the early years of the take-or-

That leaves the \$500 million investment offering New Zesland scant hope of worthwhile quantities of condensate and a questionable return for the partners involved in the

Measures announced in last year's Budget were designed to encourage solar energy use. But sales of domestic solar water heaters have slumped since the Budget's announcement that homeowners installing solar heaters would qualify for interest-free Government loons, Rather than encourage consumers to conserve energy by going solar, the scheme has virtually killed all sales, while consumers wait in vain for the Ministry of Energy and the Electrical Supply Authorities to make up their minds about the scheme's implementation. So what about the economic wisdom of the latest decision?

we have cause to worry.

The Manufacturers' Federation quite rightly expressed lears that the Government had considerably under-estimated the cost flow-on effects, which would make it more difficult for exporting manufacturers to compete in overseas markets. Similarly, we may wonder if the Government evaluated the effects on wage claims from the mions, for example. Or on the prices of our vital primary exports, after they have been

Given the apparent haste in which the new policy was formed,

inflated by increased farm costs? The layman can only wonder about policies which link indigenous fuel prices with those of oil imports, then discourage use of a home-grown product with which we are glutted. He may wonder, too, why he must pay for hydro development projects conceived and relentlessly pursued by bureaucrais, regardless of public interest, and irrespective of

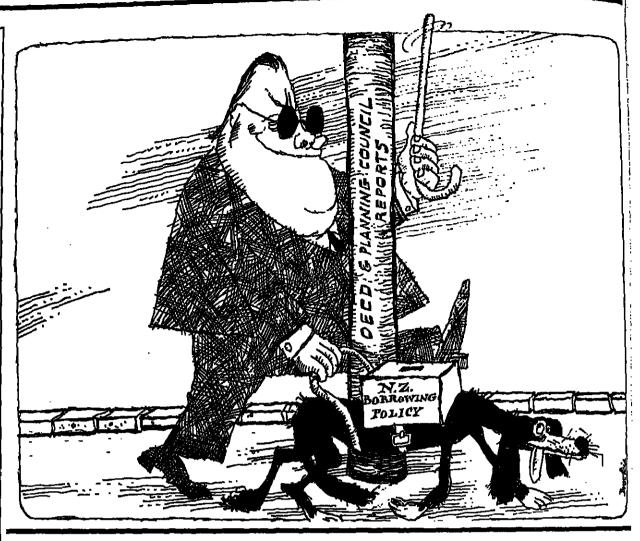
environmental or socio-economic objections. We had reached a stage - according to Goals and Guidelines - where public participation is needed to help steer Government policy-making on the most appropriate course. That was a year ago. The continued assumption that energy thinking should be confined to bureaucrats is both absurd and democratically irresponsible. And the Muldoon administration should have learned at the last election the high political price of becoming remote from the electorate.

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QUOTE of the week must go to the Asia Pacific Forum, Vol 4, No 6, which describes the Prime Minister as "puglistic". After years of porcine comparisons, a change of species for our punchy leader.

IT's good to be allowed to the incisive commercial thinking of an overseas meat mogul, and so all hall to the Evening Post last Thursday for giving readers a chance to admire some gems from Dr Bill Bullen, chairman of the Borthwicks international meat processing and trading group.

Dr Bullen opposes the idea that the freezing industry should be delicensed..."We may end up with a situation of complete disruption if authority is given to people to build works without control, a sort of industrial anarchy. I don't think that we should risk this sort of thing. It's playing

with fire." But he is "all for competition, and competition is a very good thing. If there is prime cause of the solar inan area where there is not competition, we should establish competitive buying, but that's a different thing..."

Oh, then there's story than he did over the last one. for more of it, of course, and complained that "profit margins in the industry are too

Just to do his little bit to help NO prophet in his own grim things were on the maker Pat McCarthy pulled British lamb market - a off a coveted coup in the United States where parts of message which he reiterated his anti-abortion film, "I'd Love Her Back Though," were for the benefit of rural listeners to the National Programme's farm session.

No doubt coincidentally,
Borthwicks' officials here for broadcast to 44 states on the some months have considered the lamb schedule in New Zealand is too high. But we can

casting Corporation, after five months' deliberation, rejected McCarthy's film for local only wonder if the good screening. McCarthy doctor's grim remarks weren't an attempt to talk the schedule cameraman pariner, Michael Tubberty, financed the \$12,000, down a few notches.

Editor: Bob Edlin. Editorial: Judy Nalder (Production Editor), Rae Mazengarb, Colin James, Belinda Gillespie.

Advertising Manager: Paul A. C. S. Loh. (P.O. Box 9344, Telephones 788-878, 859-019, Wellington.)

The New Zealand Broad-

didn't win NBR kudos with the

It seems that the first the

had contracted the report out

bureaucrats, whose alleged

The Energy Ministry

to the FOE Foundation.

preparing rebuttal.

heating industry.

complex legal loose end which needed tying up, b WITHOUT WORD OF A LIE new company is not yet legal) constituted. But it seems & order-in-council should & passed this week to overow the difficulties and allo Ravensdowne to get down That news should bring

This film, Origin's first, has Energy Ministry, when we proved profitable, and the company long before now. published a story on the dire company is now working on a straits of the solar water second "educational film for

new Energy Minister heard of SPUC member, also edits the the FOE Foundation's critical anti-abortion publication report on the solar energy Humanity. Since he sold his film copies lustry was from the press. And it seems that a Minister scooped is a Minister scorned, for the phone line ran hot

McCarthy, a Catholic and

no rights reserved, McCarthy said he did not expect a royalty from the PBS screening. But between Wellington and he said he hoped the exposure Auckland University, home of would generate future sules in surplus fell from \$7 billion the Maiden Committee which the United States.

THE short-term prognosis for New Zealand is gloomy — but dithering was said to be the where will we be in 10 years? dustry's woes, are now If we heed Professor Duncan, the short answer is Presumably the Minister lonely. Bank of New Zealand will have better control of that economist Len Bayliss has different ideas.

Interviewed on the radio programme "Viewpoint" the asked to give a personal forecast of where New Zealand would be in 10 worse to DMS.5 billion in December 1979. depended, he said. If we bite the bullet now and go ahead an economic restructuring (a Bayliss-type restructuring, presumably) we will make New Zealand a good

and prosperous mini-state. not, there will be increasing socio-economic problems — and political and economic union with Australia will become the big talking

well, enlightening.

Being first in with the news

Dockets. Their company, Origin Films, has sold 37 prints for \$315 each — half of these overseas.

Most of these were sold to anti-abortion groups, Mc-Carthy said.

Most of these were sold to anti-abortion groups, Mc-Carthy said.

Most of these were sold to anti-abortion groups, Mc-Carthy said.

Being first in with the news

Stimulatory measures in the boost given to the content to be fell new super-duper Ravens, own for these overseas.

Most of these were sold to anti-abortion groups, Mc-Carthy said.

Most of these were sold to anti-abortion groups, Mc-Carthy said.

Stimulatory measures in the boost given to the content to be fell new super-duper Ravens, after that prolonged share battle and eventual takeover that one for yourself while of the boost given to the content to be fell new super-duper Ravens, after that prolonged share of Kempthorne Proceser last year? Well, thanks to certain ahead.

Christchurch specifically.

sigh of relief to a number of frustrated farmiw shareholders who had be hoping for a slice of the scie from a revitalised fertilis

SOME items of economic shrapnel from our so-who-we the-war department...

According to a preliminati report published by the Ministry of Finance, Japan balance-of-payn overall the calandar year 1977 to \$5.5 surplus, however, rose shark from \$10.02 billion in 1977 to record \$16.59 billion.

And Japan's cabinet h approved an interim seve year economic programs which projects average to economic growth of just unit 6 per cent in the years to 195 Mcanwhile, West Germany

current account balanced ogramme "Viewpoint" the narrowed from DM3.8 bills narrowed from DM3.8 bills are morning, Baylisa was la November 1978 to DM1. the surplus totalled DMIII billion against DM8.6 in 197 In 1978 as a whole, the track surplus totalled DM40.7 billion against DM39.4 billion in 197

And the Federal Cabinel is approved the Government economic report for 197 which projects real growth the economy of about 4 per cent this year, following sestimated rise of 3.4 per cent 1978. The Government does see the need for further case the meed for further case the meet for further case the c stimulatory measures and

Auckland office: Editorial, advertising and distributed inquiries: Warren Berryman, Telephones 685,887,887,801, in Published by Fourth Estate Newspapers Ltd. 15 Biss. Street, Wellington, Printed by R. Lincas & Son (Nelson Ltd., 15 Bridge St., Nelson.

the opinion that the Apple and Pear Board dissatisfaction with Prime runs deep, and a diminishing blackmarketing and curb number of party faithful is growers' gate sales by taking interested in working for his

But the most alarming news This year, the board offered concerns the party's real gravenstein apples, and cut its own price to the retailers. The There is also some evidence retailers were also promised gravensteins fresh from the to suggest that the party's only

real progressive, chairman grower as soon as they became George Chapman, might be getting tired of fighting a lonely battle at the top. Unless were late in Auckland, and the cabinet and caucus show they shipping strike held up Nelson gravenateins that had ripened are prepared to force Muldoon into a more enlightened administrative pose, the party To encourage growers to machine might run into real supply early-season fruit to the trouble.

But this year's gravensteins

the gate, at prices that com-pete with all but the large

supermarkets.

loser political party.

Such a resignation might hoard, a premium price is paid for first-of-the-season however prove to be a double-edged sword. On the one hand, But the board opened the major changes in the adseason before Auckland ministration in the party might gravensteins were ripe. And make National vulnerable to a some retailers are com-Labour attack, but on the other plaining that board fruit is too it might simply leave it open to green to sell.

Meanwhile, gate sellers are offering ripe fruit, fresh from rape by more reactionary forces pushing National further to the right.

WELLINGTON newspaper publisher INL is moving to sell off its large real estate WORD has it that the National holdings in order to cover the Party faces the kind of ad- company's forthcoming ministrative dilemma that faced the Labour Party after INL moved, to all intents and

its defeat at the polls in 1975. purposes, out of the publishing No one wants to be associated with what they perceive to be a moved into the business of buying companies to make For the first time in years, good commitments to National is having difficulty in shareholders, and maintaining filling branch posts around the dividends. With further ex country, particularly in the pansion now a problem the South Island area and around company has to backtrack and Reports indicate that no one holdings to produce financial wants to fill posts like branch results that are good enough to chairman, branch secretary maintain the share price and and so on.

The Nats at head office are

pay a reasonable dividend.

With little prospect of a

At last. Clear concise ideas about the future of N.Z. agriculture.



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WITHOUT WORD OF A LIE

major editorial shake-up for party table waited patiently The Dominion in prospect, that paper's continued losses frow estimated at between \$300,000 and \$500,000 in "real terms"), formances of both major are becoming an increasing parties in recent years, and the INL's share price, if the sale

of assets like property con-tinues, must continue to fall "Cong see itself a prospect for

IF you ever wondered what happened to good old-fashioned servility, we have Commission for the Future evidence that maybe it was overcome by good

The waitress serving an expense account luncheon-

pounded about his dissatisfaction with the perobservation that he was now a "negative political sup-"Congratulations,"

and the whole group may soon waitress said somewhat acidly. "Now what do you want to drink?"

> THE Planning Council's taken its fair share of criticism might be limbering up to take some of the flak if a recent statement by its chairman is any indication.

The commission's chair-

man, J F Duncan, a professor of chemistry, was talking to the institute of Engineers about the effect microproployment. He made the perfectly valid point that microprocessors had the potential to cause massive

But then, talking about the world-wide effect of nicroprocessors on employment, Professor Duncan said: "If there is going to be massive world unemployment. it is quite vital that we try to isolate ourselves from the world scene." He went on to say that New

Zealand should build surpluses of overseas funds from its boom periods to use in the

Even a cursory knowledge of economics and New Zealand history shows with abundant clarity that, as a country almost entirely dependent on our export income, we have never and will never be able to isolate ourselves from the world economic scene. The first Labour Government tried to with its "insulation" policies recent overseas oil price rises company.

To talk about isolating the as realistic as the saving-for-arainy day theory that has been for as long as we've had an vould be an idea, before Professor Duncan makes any more suggestions about the future that he take a crash course in economic history.

They teach one at his university.

WE know of one aspirant to the Qantas Journalist of the Year Award whose entry may hit the judges' table under something of a handicap. one that will be all too evident submitted - is an inability to spell Qantas. He has a habit of that Qantas will have to consider first of all if it is gracious enough to give a 'lournalist of the year'

and failed; successive to someone who can't spell the governments have failed; name of the sponsoring

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Companies vie to buy Perpetual Trustees

THE Trustee Companies - passed quickly in the 1978 paved the way for a takeover of the Perpetual Trustees, Estate and Agency Co. of New Zealand Ltd, the Dunedin company which met with And already half a dozen companies — including two major insurance companies --

Other bidders may include large slock and station agents and companies engaged in the provision of financial services.

though both National In- directors.

made a specific offer.

Before Perpetual can be bought, liabilities and shareholdings must be transferred to a new company according to the scheme provided for under the 1978 Perpetual ran into dif-

ficulties in 1975. collapse, the Government

arge stock and station agents and companies engaged in the provision of financial services.

Banks may be among the contenders, too, if they follow overseas trends.

But by late last week — But by late last week — But by late last week — Steam over by the Housing Corporation and the Bank of New Zealand was persuaded to advance money to Perpetual there were breaches of trust the liability of the company will most likely be more than the net worth of the company

by Peter Nelson

Government introduced an

cumstances which led to Perpetual's difficulties in 1975.

ficulties in 1975.

To prevent the company's last year Justice Minister Thomson emphasised that passed special emergency legislation — the Trustee statutory board's operations, companies Management Act it had cured much of Perpetual's liquidity and cash flow problems.

surance and New Zealand Further legislation was together with the reserve insurance had declared their enacted last year. After liability of \$10 per share."

Australian business trip.

He said the court

proceedings - which have not yet been heard — could cause "justifiable concern about the

liability on its shares.

parties to the proceedings.

The Government had sought a legal opinion as to the fate of the BNZ advances - involving some \$5 million. They were in the nature of advances to a liquidator or receiver but make it a more attracting appeared at the same time to proposition for bidders. orm part of the general assets of the company, and thus could be lost in a breach of trust

Government action taken to avert this possibility, in the opinion of Law Society president L H Southwick, was

Apart from creating a statutory scheme which would facilitate a takeover of Perpetual, the 1978 Act unrended the principal Act and em-Tre secres of a successiun

company of its assets. The Act therefore provide that failure to meet be minimum subscription should not invalidate the scheme. Asked what groups migr

surunce field, one operatedly

an accounting firm, at

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Resources?

Needing

arising from the manner b

But the scheme had a

peared economically sound.

for breach of trust in the

regard would not be profitable

in view of the main breachd:

nction which could strip the

subscribed.

now be interested in buying Perpetual, statutary board any company engaged in its might wish to expand its fell

It now appears that the NZED — already embarrassed with a white elephant that will be completed at a time when

feasible, though it is

Marsden B — in contrast to

the Marsden A station, which

is designed to burn heavy oil -

was designed to be readily converted to gas, should Mau

gas be piped up to the area.

capital development

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ahead to book a

One of the most important things you can do for the firm you represent on a business trip, is to present a confident, successful image of yourself. Your ability as a businessman, and therefore that of the company you represent, is so often judged by your ability to organise yourself. And the time when you need to be most organised - when you're making new and important business contacts - is the time when you're in a strange country, away from your usual office facilities and services.

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Marsden B likely provided for the continuation of the trustee business without affecting the proceedings or interfering with the rights of

equivalent to the reign THE Minister of Energy will be given advice any day now outlining the fate of the Maraden B Power Station. Thus the company could be taken over with its liable, quantified, should it be held be breach of trust. That would

The multi-million-dollar power station was due to be commissioned by January three huge power stations about to be commissioned. But an Electricity Division

The statutory board had also discovered a breach of the trust deed in the company! Nuhaka farm forestry scheme investigation into the performance of all the country's thermal power stations throws doubts on the chances of any which the original capital was electricity being generated from Marsden — certainly in the next few years. and it was clear that an actio

The Electricity Division review follows a 25 per cent down-turn in electricity consumption forecast in last year's power plan.

Electricity officials are tight-lipped about what is in the report, which is currently in private circulation But it appears likely that all

generators will be mothballed and attempts will be made to Marsden B has had problems throughout its

onstruction, due to continuing

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in a highly readable introduction, McLennan explains how participation and change, or 'Organization Development, works in theory . . . then three New Zealand pilot studies show what happens in practice as well,

Participation & Change in the New Zeeland Workplace, published by Fourth Estate Books, Only \$4.95 at all good bookshops, or direct from Fourth Estate Books, P O Box 9344, Wellington, (See Fourth Estate Subsorle) tion Service coupon elsewhere in this issue.)

Plastics price hike inevitable

later this year with substantial increases in the cost of

public is being asked to carry the burden of capital costs in increased electricity charges. goods, increased costs in many Marsden B is just one of areas are inevitable.

An NBR study has revealed that the cost increases will resultant dislocation in oil come from an increasing Also nearing completion are the Huntly power station — a duel gas-coal fired operation demand for the use of the 'light'' fraction in the refining of crude oil. One-third of this was the most significant and the New Plymouth power station, which is fraction is used in raw material for plastics.

This product, naphtha, has Those power stations using gas will be used in preference to oil-fired stations. But with the expected downincreased turn in electricity use

following the Government's move to hike costs to the consumer, observers wonder i these other projects might also past 12 months.

At the least, they are

THE New Zealand creased cost to the manufacturing sector is petrochemical industry has almost certain to be hit hard been calculated at \$2 billion in 1978 compared with early 1978. production rather than refine During 1978, prices for other extra crude oil with a resultant oil products, such as gas, oil or disposal problem of the heavy

Because of the high content heavy fuel oil — were of plastic componentry in a reasonably static, until wide range of manufactured seasonal increases started in seasonal increases started in October as demand for fuels acreased. Though the political disturbance in Iran and the

> flows exacerbated the normal year, the rise in naphtha prices feature of oil product prices in

increased some 50 per cent in obvious that demand for the price in the past 12 months. lighter fractions of the oil price in the past 12 months. lighter fractions of the oil While contract prices have not barrel has outstripped quite so that for the heavier fractions dramatically, the European — heavy industrial fuels are petrochemical industry has seen its naphtha bill rise by more than 30 per cent in the facing a nil, or negative, growth.

The demand for naphtha is

now higher than ever, and is There is now strong pressure close to the levels of supply. for a further increase in In 1978, a number of factors unlikely to be operating at full contract naphtha prices early combined to contribute to the this year. Overall, the in-

●The refineries were designed to fulfil the demand of the 1960s and early 70s which conversion taking place to convert the surplus heavy fuels into lighter products such as naphtha and gasoline;

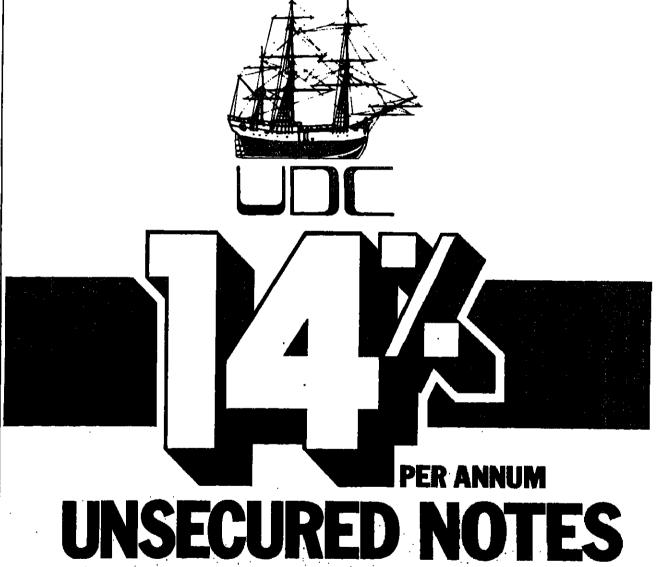
• Gasoline demand in Europe and America was significantly greater in 1978 than forecast. The increased demand of 6 per cent was intensified by the increased requirement for

The demand for naphtha is Saudi Arabia's decision to restrict production of light fuel oil more than offset the increased North Sea crude oil

European sources have calculated that products such as ethylene, propylene and per cent on their mid-1978

There seems little doubt that the already troubled New Zealand plastics industry will be affected by a reduced demand for its products. Until recently, the industry has benefited from comparatively low raw material costs, on an international scale — and the industry has shown strong growth for more than

In 1979, the industry will be facing competing demands for the "light end" of the barrel. Where products become short due to lack of capacity or available raw materials, price rises higher than those relating only to naphtha may occur if industry profitability is to be restored.



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Stock Exchange: time to run a tighter ship

change Association of New

usefully shake up the

formation can cite many cases piness. NBR of November 29. A recent example of a 1978 gave examples. They mistake was the an-

information until the next day Zealand gives the organisation if it was received in the association's office late in the The last at least one

> association passed on the figures the next day.

include erroneous reports, nouncement of a special sale of

EXCHANGE

improve the "service" it gives point caused embarrassment keeping them to a minimum inquiry. Some brokers say the listed company last year when it filed information in the local exchange and later released it

when the light each important to people involved in inmatter.

to people involved in inmatter.

vestment and research work.

The association corrected its have been criticised for the

association's dissemination of the local newspapers. The information from member exchanges and companies.

Brokers, the press, and others who deal with this information can cite many cases

Brokers and others who deal with this information can cite many cases

The association corrected is a vociferous about freedom to the only expending to the local newspapers. The error the next day by saying manner in which they handle control its own affairs.

The state is the only requirement. The association will such that 70,000 shares had been such issues. The Stock Expellements of the press, and others who deal with this information can cite many cases.

The state is the only requirement to the local newspapers. The such issues. The Stock Expellement is the only requirement. The association will such insues. The stock Expellement is the only requirement. The association will such issues. The Stock Expellement is the only requirement. The association will such issues. The stock Expellement is the vociferous about freedom to the only requirement. The association will such issues. The Stock Expellement is the vociferous about freedom to the voc

surrounding New Zealand Pastoral Holdings Ltd. After the Hawke's Bay consortium made its takeover offer, it was revealed that Broadlands Dominion Group Ltd, had previously sold a 35 per cent stake in Pastoral Holdings. Apparently this sale was not reported to the association.

But a 35 per cent holding in a listed company would seem to be a matter material to any company's financial and trading structure, even in a finance house with assets in excess of \$100 million.

The Pastoral Holdings case can be distinguished legally and formally from the association's rule that an attempt to issue more than 10 per cent of a company's capital must be approved in

No new capital was issued in the Pastoral Holdings situation. A listed company was selling effective control of another listed company, something private investors can do at any time. But private investors are not listed

The Auckland finance house probably thought the issue was immaterial. The association could have taken the trouble to elicit even that reply. If the organisation has another look at procedures, it could include some assessment of other practices. Last year, the association dealt at length with

actually 70,000. The mistake is the hearings, but they have understandable, because never been made public. There misprints can occur anywhere. has not even been a statement misprints can occur anywhere. has not even been a statement change Association are in-Checking would assist in that the association held an dividually minor. When added when the figures are important question was an internal

says it is an expert

together they indicate sloppy activity which sits oddly on a professional body, particularly vociferous about freedom to

when that body is set up and

by Peter V O'Brien misprints, drastic precis of Challenge Corporation shares. a problem involving a member in the association's affairs as company announcements, and failure to publish company changeover in the Stock Ex-The matters which crop up and providing the public with a regularly in the Stock Ex- service commensurate with

the legal status of its rules.

There is no need for any massive alteration to the present system of running the country's equity transfer a body which has been market. Tightening up administration is the only The association's other organisation in the securities starts work. The irony of the omission in recent times industry. The public is just as relates to the activity entitled to know what happens commission could usefully

Air conditioning: breakthrough saves energy and dollars

An interview with Mr F. J. Needham, designer of electro hydronic air conditioning equipment made by McAlpine Prestcold Limited under licence to Singer, U.S.A.

Q: How does this system work?

NEEDHAM: Busically this heat pump system means we put an air conditioner into each specific zone of the building and use it to pump heat into or out of the zone. All units are connected together on a water loop circuit so that the heat is actually being transferred between the water and the zone. As a result, in many cases we do not have to create heat since we can often pick up and transfer enough around the building for it to become self-sufficient.

Q: Will it save power and money?

NEEDHAM: In comparison with other systems available today, YES! Both the first cost and operating costs are low. Separate tenancies can be metred in office buildings, hotels, multi-shop completes, autocomparison. High presentations. complexes, supermarkets. High rise office blocks all suit this system.

Architects and engineers should ensure they contact their nearest agent when designing buildings as initial costs are often belies than other systems.

Q: Is this a new system or is it being used successfully in buildings today?

NEBDHAM: The system is not new. It was devised around 1955 and there are thousands of installations all over the world. Present interest in the system is largely a result of increasing energy costs. It seems to be an old idea whose time has now come. Currently in N.Z. this system is being designed into a large proportion of new installations, especially in high rise office blocks here a noise level of less than NC 35

Q: Does the system offer individual control of areas and do you actually see a unit in the area?

NBEDHAM: The system provides room by room control and the machine appropriate to each room can be mounted either on the floor where it looks like a typical fap coil unit or alternatively, it can be mounted above the celling.

O: Does the whole system have to be installed during construction?

NEEDHAM: 'NO' Provided the water loop piping is installed, equipment can be added at any time in the future.

Q: What are some of the heat sources which are available round a building?

NEEDHAM: Well, a primary heat source is the sun and the advantage of this system is that we can transfer that heat around to the cold side of the

exhaust air, lights, people and business machines. In hotels and motels, we can recover the heat from the kitchens. bars and dining rooms and use it to heat the bedrooms. All heat from refrigeration equipment can be recovered and in a Supermarket, there would generally be enough of this to heat both the Supermarket and a considerable number of specialty stores



Q: What huppens if you cannot recover enough heat for the building's

NEEDHAM: There are two options Firstly, supplementary heat is supplied to the water loop. We can do this with a conventional boiler or install a storage tank into the water loop as a storage tank into the water loop as a operation the storage tank fills up with hot water at about 100°F. This water is then used on the next day to warm up the building. If the tank water is not hot enough it can be heated overnight using "off-peak" electrical power.

water, how is this removed?

NEEDHAM: The water loop is taken outside the building and run through an industrial cooler. An alternative method uses a cooling tower and heat exchanger; Both methods get rid of the heat without contaminating the water

Q: Does the system use more or less space in a building than a central plans

NBEDHAM: The system will always use less space because of its decentralised arrangement and extreme flexibility. Large plant rooms are eliminated giving more nett letable

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>
> Electrical energy and

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Siver and metalware difference at the control of the caramics and caramics and caramics and caramics.

Analysing annual accounts

THE annual report of Waitaki NZ Refrigerating Ltd maintains its usual standard, but these days a meat company reporting standards. A satisfactory" report in this industry must be measured against the effort of the Canterbury Frozen Meat Co. Ltd, discussed in NBR on December 13, 1978.

CFM produced revenue figures for each main section of the business, a breakdown of expenses, and information relating to the tax provision.

outdated provisions of the "Companies Accounts complexity? Freezing Works Companies)
Exemption Order 1956" when refusing to disclose taxation

company is reticent about Farmers and the New Zealand revenue and expense information. The point was others, for many facets, often within the industry, a matter
structure changed con-

give the figures.

said that the business mix makes it difficult to publish revenue figures without misleading shareholders and other readers. While that point is appreciated, someone has worked out how much came into the cashbooks as company revenue, because the company has to have that information before it can assess the earnings remaining after the eduction of expenses.

While it can be accepted that Waltaki's executives are experts in their business, what Freezing companies have level of expertise is needed to dustry". In another passage he traditionally hidden behind the understand the composition of says: "It is depressing to be

because the managing director takes space to tell readers that Waitaki gives the tax unfairly criticised by the general public is exigures, to its credit, but the Government, Federated traordinarily limited."

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The group's officers have

E J NEILSON . . . Waltaki NZR managing director

understand the composition of says: "It is depressing to be revenue, irrespective of its aware that the knowledge and The point is important, plexity of the industry by the Government, the farming community, by the academic the meat industry "has been economists and marketers or

Part of the problem may made here last year, but the beyond the control of the in-

to have been grossly neglected over the years. But companies can assist matters if they provide financial information to show just what happens to the substantial sums of money moving through the

For example, Waitaki earned \$8.5 million in 1978 after tax, compared with \$7.5 million in the previous year. The earnings, after deduction of the normal operating expenses, went from \$10.4 million to \$12.4 million.

Gross earnings, therefore, were 18.6 per cent higher, while after tax profit moved up 12.9 per cent.

But what happened to another look at the problem. Part of the latter amount lift in cash flow.

explanations for the major relates to movements in fine movements are adequate, ussets, abut there was alog while being expressed in

A jump of \$15.2 million in accounts receivables was the most spectacular movement in the balance sheet. Waituki says "although a good proportion is attributable to incressed trading, this item also includes a large umount due in respect of the settlement of a fire claim and further amounts which have also since been received".

That leap had a corresponding effect on group funding. The bank overdraft increased \$3 million (33 per cent) to \$12.7 million comrevenue and expenses? Did the latter squeeze the former? Are costs running ahead of in- costs running from \$1.9 million in 1977 to \$6.2 total assets. In 1977, Waltaki come? Those questions are million last year, there was an cash flow was 8.1 per cent the group's total assets. In increase of \$5 million to \$21.87 the group's total assets. Le understanding of the com- million) in accounts payables, plexity of the industry". and other term and current Perhaps the company will take liabilities went up \$8.6 million.

increase of \$5.2 million i associated company by vestment, arising particular from the acquisition of short 22 per cent of F J Walker Life

the Australian meal companions of the Australian meal companions of these various movements, the relationship between shareholders fund and total assets the proprietorship ratio (eli fee 54.8 per cent in 1977 to 49.5 pc cent. The relationship is set healthy, although a con Vacation Motels: well tinuation of the trend would healthy, although a cosend Waitaki to the market h:

spite of a 12.9 per cent increas in net profit, and a 17 per out

Exchange rates

As at February 15	i, 1979.	India	85
\$1NZ is worth:		Italy	878.0
		Malaysia	2.7
l		Netherlands	2.6
Australia	.9302	New Caledonia	
Britain	.5242	and Tahiti	81.6
Canada	1.2535	Norway	5.3
Fiji	8681	Pakistan	10.2
Japan	209.01	Papun-New Guinea	
West Germany	1.9384	rabou-ises. Guinea	Availi
USA	1.0501	Portugal	49.9
Austria	14.16	Singapore	2.2
Belgium	30.60	South Africa	.66
China	1.6451	Spain	71.8
Denmark	5.3729		t avaibi
France	4.4589	Sweden	
Greece	37.84		4.56
		Switzerland	1.78
Hong Kong	4,9932	Western Samoa	.75

Key indicators

		Current Period	Lent Leafons	Chris.
Consumers Price Index — all groups has the 1977 — 1000 Bullding Permits Issued Official Oversons Reserves Registered Unemployed — incl those on special work schemes NZIC Mare Price Index Reserve Bank Share Price Index	Dec 78 Get 78 Get 78 yr Dec 78 Dec 78 In Feb 79 II Feb 79	1104 \$103.3m \$1051.3m \$294.7m 52, 750 320,80 1300	(#00 \$81.4m \$1118.1m \$381.6m \$8,433 200.06 1231	+## +## +## +## +##

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More talk - — but 'package' kept under wraps

WE had it easy for years, privileged relationships with

poor countries which supplied us with raw materials; a domestic market protected from international competition; and secure export now, we are paying the full

VACATION HOTELS LTD is

The company recently an-

nounced a substantial rise in

earnings to \$925,525 for the

year to October 3. When the

01 per cent), and the earning

rate covers the payment 2.08

technology countries on equal magazine. We omitted terms...companies will have to win or die. Winning is being "companies" in the quotation, New Zealand, the Minister's standards, the need to pressed the view publicly that "the benefits to com-

Another spiel from an markets. That's all over. As of academic economist or planner about New Zealand's price for raw materials. The fate? No, just the words of price won't be going down, and France's Economics Minister, we shall have to meet in- Rene Monory, quoted in the the lowest in Europe." dustrialised, advanced- latest edition of Forbes

comments is "price control is not the way to fight inflation". "Look at West Germany. They don't have controls and their rate of inflation is one of

While the French and

competitive — in the domestic to make the comment parmarket as well as in exports.

Freeing prices is just the Zealand.

The domestic to make the comment parmarket as well as in exports.

The domestic to make the comment parmarket as and actions are restructure and so on), and put remarkable in a country which has been totally under the comment parmarket in a country which has been totally under the comment parmarket as well as in exports. Among Monory's other

decline in the dollar against the franc, which lowered disorganised union force.

It is interesting to note that

Vacation's profit in 1974 was \$210,373, and \$925,525 in the

year to October 31, 1978, after

Profit has risen 340 per cent

in the period. When the final

accounts for 1978 are produced

a comparison can be made

with the movement in

shareholders' funds. (Between

1974 and 1977 shareholders'

funds increased 357 per cent.)

Vacation has about 1200

hotel and motel rooms under

its control, scattered

throughout the country. The

company, therefore, is well

placed for future growth

Tourism is facing problems

through the shortage of rooms,

and the high cost of providing

them. The Tourist Advisory

Council has reported that the

provision of the 1875 new

rooms estimated to be needed

by March 1981 would cost \$75

estimate takes an average

and March 1981.

group's resources.

cent last week, and would b

er cent from the entry pric

The present outlook is good for the company, after a tough

time for tourist operators from

At present prices, the shares look worth a punt for the medium term. Unless some unforeseeable disaster hits

either Vacation or the

sharemarket, they are unlikely to be back in the 50s

for a considerable time.

1977 until recent months.

reaching \$553,783 in 1977.

The French are also looking at ways to break down central control of the economy (and of individual businesses) to meet international competition. Power to make decisions is moved from the centre to the operating parts, and State organisations redistribute their power to a number of eventually political power is currently termed "decentralisation", which is aptralisation", which is ap-parently becoming an "in"

It obviously has its origins in many other theories about It is difficult to see what Brash power distribution, economics, is getting at, because he social groups, "alternative life styles", and with devaluation, and points the "small is beautiful" out that certain conditions are concept. No doubt it will at necessary for a successful tract its disciples in New formal realignment. There is Zealand, particularly as the no evidence in the address that activities of the Planning the conditions (tight monetary Council create further policy, vigorous competition in frustration among people who product markets, and trade want to see things done, rather than talked to death.

And there is plenty of talk. The address by Broadbank general manager, planner, and overall business big shot Don Brash to the Accountants' Society Summer School is

has been totally under the Brash wants a "package", bureaucratic thumb since the along the lines recommended in the Planning Council's The policy of freeing prices Economic Strategy 1979 but received assistance from a he also followed the council's line in omitting specifics.

That omission was covered import prices, and from a in a strange sentence "What the package should contain only those closer to government than I am can finally decide." If those people have to take the decisions we can fairly ask who needs councils

Apart from removing price control, control on overseas investment, phasing out export incentives and import licensmaller organisations. This sing, Brash advocates a attitude to economic and change in the exchange rate,

little detailed discussion, apart from an examination of the unions which will not try to

offset the effect of devaluation internal income distribution) exist at present in New Zealand. So what is this "change in the exchange rate"? Is it in fact a recommendation for a formal among the latest speeches.

Brash identified the problem justified in present conditions?

that "the benefits to competitiveness from a lower exchange rate come quickly and then decline and then decline progressively", but the resultant inflation means that 'industry begins to suffer in a great variety of ways which hemselves damage competitiveness — higher interest

rates, a demand for increased

working capital and un-

certainty hindering in-

The benefits from a higher exchange rate "come fairly slowly but then build up over a subject is also relevant: "You work from monetary policy to the exchange rate, not the other way around, because you cannot enforce the policies necessary to make the change

to the exchange rate stick.' The devaluation argument in New Zealand was drummed up more than a year ago. All its supporters seem to overlook hat practical economics is damental arguments against a

The capital gains tax idea "Frankly...the precise details are not of crucial importance' when talking about general ack of detail on a capital gains tax, because "precise detail" is of crucial importance when talking about a specific type of tax. Perhaus Brash would like to be more specific on these issues so that the rest of us can

group's specified preference capital of \$875,000 is treated as converted to ordinary shares, for the purposes of realistic lculation, the earning rate omes out at 11.45 cents a INVESTOR INSIGHT share (22.9 per cent). The company has lifted the

world) when the muggy weather strikes Auckland. But

groups which endeavour to run

capital intensive assets from a

comparatively low capital

The company is overcoming

In 1977 (the date of the last

available annual accounts),

therefore, was 57.7 per cent.

In 1974, shareholders' funds

totalled only \$1.6 million from

total assets worth \$4.6 million,

that problem, and now has less strain on financial resources.

many people take a room there through higher room ocwhen they find other hotels up to 70 cents, where they have full, and the tour trade dividend yield of 7.9 per cent. provides a steady flow of ocand a price-earnings multiple cupants throughout the year. of 5.67 (again treating specified Vacation in past years has preference capital as consuffered from a problem common to all tourist-based

That figure is reasonable given the present state of the market, but there is room for future appreciation assuming that the group's profitability is maintained in the current

The state of the group's intercontinental Hotel deal in Auckland will be a key to shareholders' funds were \$7.4 current profitability. The Big I million, and total assets were has been through troublesome \$12.9 imes, but now seems to have settled down, and should be enjoying good occupancy

Auckland has a considerable hortage of hotel ac- to give a relationship of 35.3 dation a factor which hould be improving the ocupancy rates of the leading The ercontinental has problems of course, not the least being a can affect the well-being of

per cent. In earlier years, the relationship was even lower. Funding hotel operations from such a base inevitably causes growing pains until an organisation reaches a "plateau" from where it can people from more temperate livity and finance necessary to

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and a lot of people pay for it — with rotting, damaged produce and missed market sales? Using R.F.L. eliminates these risks. And this makes good sense, after all, with thought and good management the grower has brought his crop through all the hazards of weether, insect and lungar attack, harvesting, ato. — right to the point of "profil". It's only logical to entrust consignment of the crop — the leat operation vital to commercial success — to experienced freighters with a top resoutation.

expanding respines with a top reputation. R.F.L. can make missed market sales a thing of the past, and help you get top price for top condition vegelables.

ORILLING HOLDS CONDITION, so R.F.L. upilite right at the growing area, and delivers streight to the markets, and all R.F.L. vehicles feature forced-draught refrigeration.

chilling your fresh vegetables exactly as required to stay fresh. Asparagus, Cabbege, Lettuce, Broccoll, Carrote, Cauliflower, Calery, Swestcorn and Watermell all need (symparaturescons) all-need temperature-controlled transport to retain premium

condition.
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EXPORTS of fresh and frozen vagetables receive special care R.F.L. administrators likes with shipping companies of six figures.

docking schedules is complimented by revised defivory times, and handling is scrutinised until toading into plane or hold is completed. The R.F.L. Container Fleet daters for Transtamen movements, and for Transtamen movement, and this provides a complete door-to-door service to any location in Australia or New Zealand. Double handling of product is eliminated and all certage and outtone documentation, including insurance documentation, including insurance. you. Yes, a lot of people try to transport vegetables — R.F.L. succeeds!





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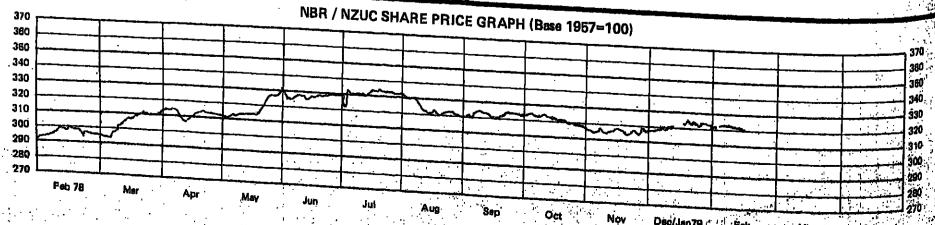
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NBR SHAREMARKET SURVEY

WEEK ENDING FEBRUARY 15, 1979





Carrying the spirit of Export Year beyond 1979

THE launching of Export Year last April could not have come at a worse time, PR-wise. After several years of spectacular gains, export growth dropped below 10 per cent for the first time in 1977-78.

In 1975, total export receipts were \$1656 million. The next year they jumped by a third (\$553 million) to \$2209 million. And from 1976 to 1977, the rise was even more speciacular an increase of \$991 million (41 per cent), to \$3120 million.

But then the boom hiccoughed. In the March 1978 year, export receipts were \$3395 million — a rise of some 9 per cent. This was a dramatic leap downward from previous years and did not even keep

pace with inflation.
In the first six months of the year ending March 1979, export income totalled \$1854 million. Doubling that for the remaining six months gives a representing a further rise but still under 10 per cent and still below inflation figures.

the hard cash success of Export Year can be gauged. The delay in obtaining statistics hinders this. More importantly, it takes more than a year to start an export campaign and build up sales. The Export Year Com-

mittee, established by the concept of Export Year, is hopeful that its campaign has renewed interest in exporting and encouraged new companies to seek outside

Its \$200,000 budget (\$35,000 for build-up PR, and \$165,000 has been spent almost entirely on publicity, promotions and

But that effort will be wasted if the theme of Export Year is allowed to drop out of sight The committee is well aware of this, and is discussing ways in which the theme can be carried through into 1979 and

Export Year adviser Alan Topham, recruited from Ceramco's Crown Lynn to act as travelling salesman for Export Year, says he thinks Export Year has created a climate of interest.

"We've certainly had an encouraging interest from management," he notes. "And the labour force wants to get

Now, he says he believes, it is important to get something positive from that interest. And that "something positive" must flow initially from

Topham has been expounding his list of six management "musts" to make exporting work for the individual firm:

• Have a statement of total commitment by the "boss";

• Appoint an executive to follow up and report back;

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Many would-be exporters have taken one brief look at the whole field and recoiled in

Two big barriers are a lack of hard cash, and a lack of marketing skills and backing facilities.

The export tax incentives are valuable, but companies still have to shell out the cash first before getting the taxation rebates at a later date. This cash flow problem has been particularly daunting for small businesses which Insist on regular export have worthwhile wares to sell. meetings and keep them alive; The avilability of pre-shipment finance from Publish your own export organisations as Development Finance Cor-

OVERSEAS TRADE

● Insist on better comporation is a help here.
munications from top to The big problem for small-to munications from top to medium-sized businesses, He sees the main value of then, is basic: how do we Export Year as an attention- start?

getter and an opportunity for There is no lack of products companies to reconsider ex- available, some of them very porting. Now he would like to sophisticated and of high see those companies lock an export programme into their own in-house systems.

sopnisticated and of high exporting, and belief in the quality. New Zealand comsanctity of the individual helps down the orders because they add to inefficiency in exporting. And belief in the down the orders because they could not handle the volume of the quality of their products.

EXPORT YEAR has all but run its course. And if any businessman has not realised that we have been in the middle

Almost everyone has leapt on to the Export Year bandwagon. The politicians, the academics, the media, and even businessmen, have trumpeted the message loudly.

And why not? It has made good copy after all: the good of the country and all that; the ads on the telly; the ubiquitous Export Year posters decorating several thousand office walls.

There's no doubt, then, that the Export Year campaign has been a PR success in getting the word "export" across. But how successful has it been in terms of increasing export sales and in persuading companies to spend the time, effort and money in actively touting their wares abroad? And what next?

Allan Parker reports.

But the problems arise when expertise are vital. the products leave the factory door. Increasing the efficiency of the export servicing sector be it transport, finance, marketing, language skills —

musi remain a major objective of this country. Another area of concern is the fragmented approach to exporting. Kiwl belief in the

And how many export orders have been lost through the sheer lack of size of companies? This was evident at the Los Angeles trade fair late last year when several companies were approached by prospective buyers for largescale orders throughout the United States. They had to turn

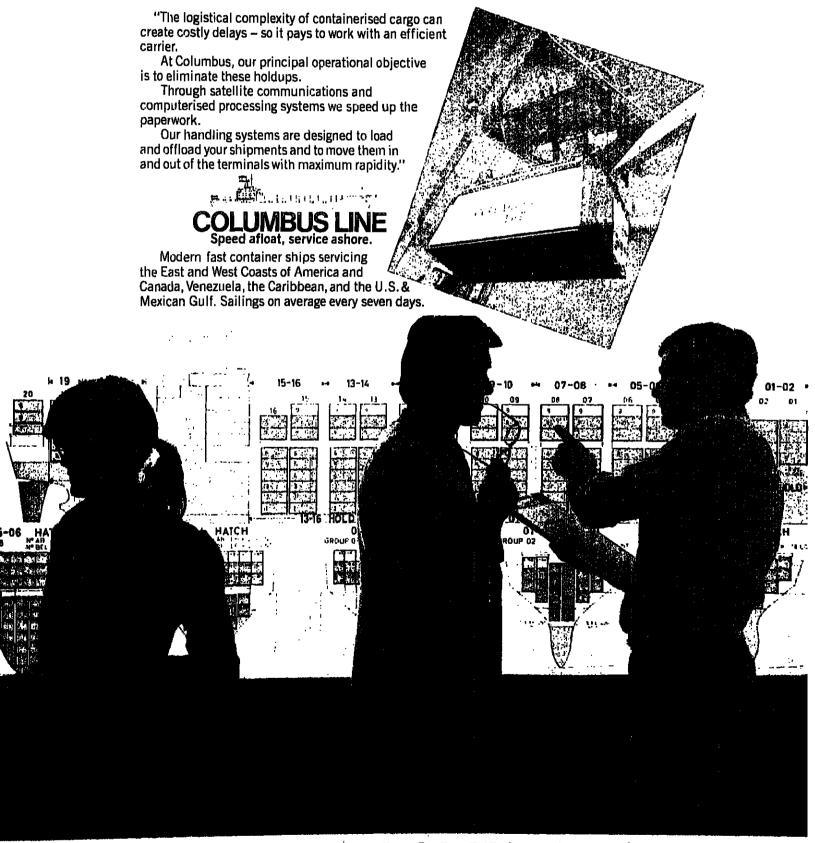
Is one answer the pooling of orders among several companies to meet the buyers requirements? A drastic step, perhaps, but it would help ensure continuing work and encourage the high quality required for the international

marketplace. Economic conditions have forced the increased awareness of exporting as an alternative to a depressed home market. One of the most important tasks ahead will be to persuade companies to maintain their export drives when the domestic market

picks up again. The start-stop approach that has characterised New Zealand exporting efforts in the past has caused untold damage to overseas confidence in our ability - and conviction — to become suppliers to the world.

Export Year spawned the "Let's all make it

Perhaps the 1979 slogan should be: "Now don't throw it



KEEPING THINGS MOVING. Another good reason to ship Columbus.

SUMMARY OF THE GOVERNMENT'S ACCOUNTS BUDGET TABLE 2:

OFFICE MANAGER PAUL CRAIG'S A STICKLER FOR EFFICENCY.. EVERYTHING IN ITS PLACE & A PLACE FOR EVERYTHING SO NATURALLY HE'S INSTALLED AN ACCODATA RETENTION SYSTEM.

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Public accounts reflect pocket-book politics

TO public servants ambitious for the development of their year can be a year-long Governments, intent on maintaining the Treasury oting behaviour, tend to hold

31, 1979, show that this election year was no exception. Muldoon is apparently even

originally budgeted for Government spending. The

appropriation proved too was set aside for supi, 1978, and by September it lepartments. Then, another Government spending,

departments have officially

appropriated nearly 21 per cent more this year than they spent last year.

And it now appears that these official appropriations are insufficient to cover expected Government spending. The summary of the Government's accounts,

Government expenditure

accounts, it seems likely that Government spending this tax collections are down.

December take turns out to be vear will be at least 23 per cent

Last year, \$1944 million had

54 per cent of the total,

greater than it was last year. With the rate of inflation nearing 10 per cent, this implies a real (volume) increase

expanding expenditure this year without adding to the inflation rate. Unemployment, outward migration, low company profits and tax cuts have caused growth in the tax take to dwindle. While the growing at a rate of nearly 23 per cent, the total tax take is

accounts. Because of the ment spending in the first nine difficult to estimate the effects

not due until the month and wages, so it is still too of the Budget year.

Based on information tax reductions effective from contained in the December October during one quarter.

of around 12 per cent in Government expenditure.
The big question is how the

(A) TOTAL EXPENDITURE FINANCED FROM:

by December. This year, only 1.5 per cent more was collected reach \$3592 million, \$332 million less than the Governby the end of December, or a ment said it expected to collect total of \$1972 million. Last in its Budget.

early to gauge the effect of the tax reductions effective from the first nine months were 54 October during one quarter. But we do know that direct ax collections are down.

Loss was a fast of the stax collections for the first nine months were 54 per cent of the total collected for the year. If this year's offset by larger than expected the central Government's offset before borrowing could be more than the first nine months were 54 per cent of the total collections will be slightly offset by larger than expected the central Government's deficit before borrowing could be more than the first nine months were 54 shortfall in direct tax collections will be slightly offset by larger than expected the central Government's deficit before borrowing could be more than the first nine months were 54 shortfall in direct tax collections will be slightly offset by larger than expected the central Government's deficit before borrowing could be made to spend at such a fast rate, and if growth in the tax collections will be slightly offset by larger than expected the central Government's larger than expected the central Government's larger than expected the central growth in the first nine months were 54 shortfall in direct tax collections will be slightly offset by larger than expected the central Government's larger than expected the central growth in the tax collections will be slightly offset by larger than expected the central growth in the tax collections will be slightly offset tax collections.

W. German delegation due

A DELEGATION of West German scientists will arrive in New Zealand later this month to discuss energy matters and prospects for luture cooperation between the two countries under the Scientific and Technological Cooperation Agreement. They will also review progress made so far in implementing the

agreement.
The visit may pave the way tere, capitalising on New

with representatives from the public and the private sectors — will be led by Government representative Dr A Ziegler esearch for the Federal Ministry of Research and

Representatives from the private sector — mainly involved in chemical or coal idustries — include Professor ihausen International, a large chemical company.

The visit - first proposed ome months back ected to be brief. But in

pected to be brief. But in particular, the delegation will look at the production of synthetic fuels, for example, coal gasification.

Late last year, the then Energy Minister George Gair announced that West German interests would come to New Zealand to look at ways and means of using the South Island power surplus.

The programme for the trip

The programme for the trip has been arranged by the DSIR and the Ministry of Energy in cooperation with the West German embassy here. While the Zeigler-Inhausen group will be interested in the scientific aspects of our energy potential, in March another delegation will visit for commercially desired. commercially oriented

The possibility of commercial investment in New Zealand could be considered



Leonardo didn't have the incentive to develop his invention. That's

Leonardo didn't have the incentive to develop his invention. That's too often been the way: it was the same problem nearly 500 years later when the helicopter was rediscovered in England. A lack of encouragement at the crucial moment meant that great invention was manufactured in America.

How many ideas of genius level have perished through a simple lack of incentive. UDO Finance Ltd knows what the right recognition at the right time can do. Brilliant ideas, generated in New Zealand, will not perish through lack of support. The UDC Inventors Award is an annual award. Since its introduction in 1973 a total of \$12,000 has been won by N.Z. inventors — by the inventor of a filtration plant for the affluent from wool scouring works, the inventor of a multiple water driven turbing; of a filter ozone spectrophotometer, and last year by the inventor of an intensive care incubator for premature babies. All important ideas all foreign currency earners in the international markets.

As one of New Zealand's leading finance houses and merchant bankers, we see the Award as an opportunity to encourage the New Zealanders' tradition of resourcefulness and innovation; to improve efficiency yet respect the environment and so provide for the controlled development so vital to New Zealand's future.

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Look at what almost 4 years of progressive marketing have done for South Pacific Television.

1975. South Pacific Television begins transmission. Market share: zero. Revenue: zero. Profitability: zero.

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Selling the sportsman

QUESTION: What do Arnold Palmer, Bjorn Borg, Jean-Claude Killy, Jackie Stewart, Greg Chappell and Muhammed Ali have in common?

Answer: Apart from being world-famous sportsmen in the millionaire class, they are all clients of an enterprising marketeer known in some sporting circles as "Ten per cent" McCormack. And that has not a little to do with the fact that they are world famous and in the millionaire class.

Mark McCormack had been

practising law for less than five years when he started to arrange exhibition appearances for one client. world-class golfer Arnold Palmer, From that event has grown one of the most sophisticated marketing and management conglomerates it is possible to imagine.

This internationallyorganised group of companies. known as the International

from 13 offices in 10 countries. The New Zealand operation, located in Christchurch, is headed by Jack Urlwin, vicepresident unternational).

On the one hand it promotes and sells the athletic abilities of professional sportamen and women in a number of ways to produce an income for them; on the other, it provides them with management services to safeguard that income through tax, insurance, investment and financial services.

who's who of world



Illustrating the one-stopshop nature of the complex, there is a division which Information oversees all the literary ac-The list of clients reads like a



tivities of IMG's sports and celebrity clients, another adjustment which creates and develops sports films and television programmes, and separate

broadcasting.

and counselling, insurance bonds. We said that the adadvice and coverage, tax and vertisement was lazy, that it financial services to its clients. failed to inform sufficiently,
The McCormack group of and asked the prospect to dig companies provides a neat for the information.

through identifying a need and

Conserving the customer

and money may be devoted to devising promotional schemes which turn people into that much of the business will customers, the satisfying of be of a repeat nature for the those customers is frequently the job of a single sules or more money has been invested more money has been invested

Careless, inefficient or discourteous handling of the customer at that point can white-ant the whole carefullyconstructed marketing edifice. There is some reason to doubt that the training given to individuals whose job it is to deal with a sometimes difficult public is all it should be. Instance. Away from home,

we wish to cash a cheque at a advertising branch of the ANZ Bank. We write the cheque at the customer desk and approach director of information for the the toller with the cheque in New Zealand Labour Party, one hand and our ID, the has been appointed to head up bank's Creditline card, Corporate Marketing and dutifully in the other. The Advertising Ltd, a new, teller is busy in an over-the-specialised advertising agency shoulder conversation with and a wholly-owned subsidiary another bank officer on of Ogilvy and Mather. another bank matter. He "This is a trail-blazing effort accepts the cheque and the card but the conversation continues. The customer is "Our intention is to provide merely a slip of paper.
Acknowledging our presence for the first time, he says,

Zealanders figure under the You're supposed to sign in headings of golf Bob Charles, front of the teller."

"And you're supposed to give undivided attention to your customer," was the hot reply. But of course, the retort was merely a mental one and

The point of the story is this. The Government statistician says that, due to the Great Exodus, our population has associated companies provide been practically stationary for these professional the last three years. In management services to marketing terms, doesn't that clients in a broad range of mean that the customer is sports including tennis, likely to become an ensquash, badminton, skiing, dangered species? And skating, motor sports, cricket, shouldn't business begin to boxing and even fashion and embark on a programme

BACK in our May 3, 1978 issue, Admark had some unkind companies which specialise in things to say about the adproviding investment advice vertising for inflation adjusted

> Well, a few weeks ago there was a fresh flurry of press advertising for the same inestment. These ads really spelt it out in detail. Here was all the information needed to make a buying decision.

Those people who reacted and invested are receiving an interim receipt from the MARKETING is the business slip which reads, "Due to the large volume of applications customers. Although vast this Bank there will be a delay forces of munpower, energy in forwarding your formal Notice of Registration."

We will be the first to grant more money has been invested in the interim in promoting the bonds, that in general the investment proposition is much more widely known. advertising that tells is ad-

DAVID EXEL, former



DAVID EXEL . . . trail-blazing

on the corporate aspects of business rather than on product selling. The service we will provide will combine a mix of research, PR and advertising, tailored according to the needs of the client."

CMA will seek clients both from the O & M client list and outside. In overseas markets, the corporate and the product advertising accounts of large businesses are frequently handled by different agencies. so houses specialising in the corporate field have journalists). developed. An agency offering Young said he would like to new to this country.

Airline's satellite link JOURNALISTS like to get the

story straight from the horse's mouth, rather than from a PR man - but what do you do when the head man is in Hawaii and the journalists are in Wellington and Auckland? Continental Airline's PR agency David Brett Ltd, in conjunction with Vidcom, worked out one solution: a press conference via satellite Auckland journalists with Continental's executive vicepresident, marketing, Charles

Bucks fielded questions from his suite in Honolulu's Royal Hawaiian. The link, set up by Vidcom, went over the phone lines and via satellite, and was amplified for the teams of journalists in Auckland and

Total cost of the exercise, according to David Brett's Barry Young, was \$700 (including food and beer for the

this specific service will be repeat the exercise, maybe

BY SPIRO ZAVOS

WHAT THE REVIEWERS ARE SAYING

"The Real Muldoon is much more rewarding than the Prime Minister's own two dismal attempts at autobiography It reads particularly well. The style is energetic, witty and trim, and the book is put together well." W.P.Reeves, Dominion

> "Zavos is a perceptive observer, a master of the probing phrase. the analytical paragraph."

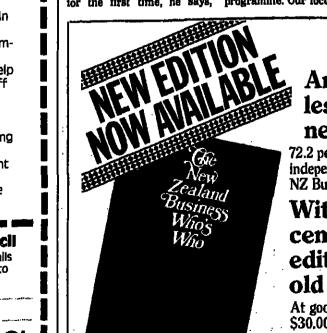
"Of all the weighty issues The Real Muldoon raises, it's odd that Mr Muldoon now seizes on nits in trying to discredit the whole commentary." Mil Piacil, Walkato Times

> "... the book ... usefully illuminates several aspects of an exceedingly complex character." P.J. Scherer, N.Z. Hernid

"To all who are fascinated or repelled by our Prime Minister . . this book is recommended reading." S.W.G. Hawkes Bay Herald-Tribur

The Real Muldoon is the first objective biography of a New Zealand Prime Minister. . . It sets a high standard for its successors."

ONLY \$9.95 AT ALL GOOD BOOKSHOPS. OR DIRECT FROM FOURTH ESTATE BOOKS, P.O. BOX 9344, WELLINGTON



An out-of-date directory's even less use than yesterday's newspaper.

72.2 per cent of purchaser/user respondents in a recent, independent Heylen survey agreed that it was unwise to use an old NZ Business Who's Who.

With a significant revision of 95 per cent of all entries since the last edition, it's false economy using an old copy.

At good bookshops, or write direct to P.O. Box 9143, Wellington. \$30.00 plus \$1.20 postage. (See Fourth Estate Subscription Service coupon elsewhere in this issue.)

ALCOHOLISM -it's costly to busines's

Ward & Grey's

advertising works.

millions of dollars each year affecting all sectors of the workforce from top

management to unskilled workers. An estimated 60,000 men and women in the workforce have alcohol related problems which affect their work perform-

ance, eroding productivity. Employers can take positive steps to help those with alcohol problems on their staff and at the same time make considerable savings.

To explain what can be done the Alcoholic Liquor Advisory Council is holding a one-day seminar in Weilington on Tuesday 20 March for senior management and union executives.

For full details complete and return the

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Visa as credit card

YOUR item on February 7 on bank cards says National's plans are a little uncertain but our sources auggest it is likely its credit card will also be Bank-

Not so, I'm afraid. We have announced that we will offer VISA. The fact that it is a credit (as distinct from the BNZ debit) card, will not cause confusion. Customers will know the difference and the

package necessary for a credit

B D Pope, Public relations manager, The National Bank of NZ Ltd.

Law society insurance

THERE are some inaccuracies and misquotations in your article "Negligence Cover to be Compulsory for Lawyers" in your issue of February 7.

In the second paragraph you say that the proposed scheme being looked at by the New Zealand Law Society "will be New Zealand to cover claims scheme at its September based in negligence against meeting this year". I hope a organisation". It will probably As a result, instead of VISA be the first compulsory



Law Society has a group scheme now that covers ap-proximately 85 per cent of the members who are covered by

the first insurance scheme in Council "will authorise the recommended scheme can be precluded or excluded from a Wrong place put to the council in September but whether the council

society is going to rush. The article says that "Law societies in London, Scotland, New South Wales, Queensland

and some Canadian provinces have introduced compulsory schemes recently". The situation is, as far as I know, that New South Wales and Queensland are negotiating schemes and Victoria has adopted a scheme. When referring to the right of an insurer to decline cover

tainly not something that the

for a non-notification to the insurer of any act which could afford. possibly lead to a claim being made the article says "if he does not make notification he could possibly be precluded from the scheme". What I said You say the Law Society was that cover could be declined in that particular instance, which is quite a Right time, different thing from being

scheme.
The final paragraph by REGARDING your item on being isolated it will in fact be scheme but certainly not the offered by two banks serving first insurance scheme. The authorises it or not is quite relation to the previous irrelevant Christmas another matter. This is cerparagraph could be newspaper content (NBR,

facts are wrong.

The articles you referred to appeared in the Dunedin O'clock sports weekly. The titioners who may have unfortunate claims histories are Christchurch weekly is the

principle of a compulsory

scheme. It will be essential in

any scheme the society adopts that every member of the

society will have insurance

W M Rodgers,

unable to afford the premiums. Weekend Star and we cariainy
That would be a negation of the don't print news 20 years old

Weekend Star

available to a minimum Access to amount at a premium he can reasonably be expected to the EEC

THE arguments of the Planning Council and others for continued access for New Secretary-general New Zealand Law Society. Zealand butter and lamb to the EEC market were described your Economic Correspondent, using selected quotations, as largely emotional. I would suggest that some emotional desire for a clean break from Mother has clouded your correspondent's economic judgment in his

article of February 7. In his open letter to Mr Gundelach, he invites further restriction on access to the EEC, even total exclusion.
Why not go further, and write open letters to Mr Carter and Mr Ohira inviting greater severity in their restrictions on our primary exports to ther countries, and to Mr Fraser, welcoming even more restrictions on ow manufactured exports to

Australia? If we can derive strength through the pain of exclusion from Europe, why not positively exercise pressure for exclusion elsewhere?

with the EISC's own objectives What is needed is less of the stimulus to high-cost domesic production and restraint on domestic consumption which a policy of high price support

The Planning Council has made it plain that it expects our traditional exports to grow

more slowly than new ones and

that markets in the Pacific Basin, the Middle East and

elsewhere will continue lo assume greater importance in our trade. We would agree with your correspondent that

relatively too much diplomatic and marketing effort has gone

pondent suggests, could not be anything but harmful to

further diversification and future employment and living standards in New Zealand.

harcourts

Chaliman

NZ Planning Council.

into the EEC, too little other areas with greater potential for the future.
Negotiating some stable

At last reckoning, however, engines, all agreed claims from unsecured creditors had been Your correspondent's article paid and stockholders who difficulties had already received 55 pence The Qanta seems to be based on a assumption that we are seeking charity in Europe. Is fact, we are seeking to sustain part of a long-established was expected to reduce the market, for produce in which we have a strong comparative advantage, and at prices well below those paid to domestic producers. Contrary to the implicit assumption of your \$47,908,700.

Immediately the British Government stepped in, a new company, Rolls-Royce (1971)
Ltd. was formed to seem on the Rolls-Royce (1971)

Ltd. was formed to seem on the Rolls-Royce (1971) correspondent, the present extent and methods of farm support in the EEC are subject

Ltd, was formed to carry on Royce cap. to challenge within the Community itself. Mr Gurdelach himself has called for a policy of price moderation. New Zealand need not. therefore, feel apologetic about pressing for changes which would allow us to

EIGHT years after Rolls- more than 621 million pound Royce Ltd was put into (about \$1,180,608,300).

licences the same as the operators of the biggest truck

receivership the saga of the old lts most important company continues — but breakthrough was the selection by Qantas of the com-On August 14, 1971, it was pany's RB211 engine to power estimated that the crash would the airline's newest long-range cost unsecured creditors 60.9 Bocing 747 airliner, despite the million pounds and fact that the 17 747s already stockholders a like amount or serving Qantas were all a total of about \$231,558,900. powered by American aero

Development of the RB211 was the cause of R-R's initial

The Qantas order climaxed a in the pound of stock were record year for Rolls-Royce likely to receive a further and brought to 2000 million dividend. Thus the end result pounds (about \$3,802,281,300) face value of shareholders' lost business the engine has slock from 60.9 million pounds brought the company. Its to 25.2 million pounds or from orders and options now total about \$115,779,500 to about RB211 engines for more than \$47,008,700. RB211 engines for more than 340 aircraft belonging to 15

misleading. There can be no suggestion of a compulsory scheme being adopted under which some of our pracwhich some of our pracwhich some of our pracwhich some of our prac-

POST OFFICE plans to set up courier service should concern private courier firms . , but there has been little reaction from these operators.

The Post Office will have one and trailer rigs. lig advantage over the private firms — it will not have to apply for goods service licences. Unlike the private But the Post Office - asked firms, it will not therefore be called on to prove there is a starting the courier service says it does not need licences to carry mail. (Generally the need for its new service, or, to quote the legislation, that its new service "would not injure Crown does need a goods service licence when it ven-tures into the field of general materially the economic stability of existing services". cartage, but the Crown has an automatic exemption from the

RB211 helps to

Courier services do not carry "goods" in the popular sense of boxes and crates, but 150km distance limit.) The Post Office may see its must hold goods service courier venture as a logical

under a new name.

licences to carry small and urgent parcels, envelopes of documents and so on. Volume extension of existing postal extension extensio of goods doesn't come into it - could use ordinary postage motorcycle couriers in stamps to pay Auckland and Wellington need signments.

The Australian post office has gone into the courier business, and that country is more free-enterprise oriented if it would need to apply for goods service licences before other Commonwealth post

And the people charged with running the Post Office are supposed to trade at a profit, so from time to time they must be expected to move into new

It is difficult to accept that a Post Office courier service will be no threat to private Office plan to do? It will start operators because the State- in April or May with a limited run Post Office is 'inef-ficient'. On the contrary, the Weilington and Christchurch RB211 helps to

revive Rolls-Royce

| Incient | On the contrary, the Post Office does a good job—the mall goes through, all but a tiny percentage undamaged and on time. The phones invariably work, and other services are satisfactory too. I | Office expects to branch out to |

| Wellington and Christchurch for contract — that is, regular — customers, with negotiated charges, the whole beling parallel to what the private firms do. Later on, the Post Office expects to branch out to |

| Wellington and Christchurch for contract — that is, regular — customers, with negotiated charges, the whole beling parallel to what the private firms do. Later on, the Post Office expects to branch out to |

| Convenience to the private charges, the whole beling parallel to what the private firms do. Later on, the Post Office expects to branch out to |

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| Convenience to the private charges, the whole beling to what the private charges, the whole beling to what the private charges, the whole beling to what the private charges are charges. The private charges in the private charges are charges and the private charges are charges and the private charges are charges and the private ficient". On the contrary, the

TRANSPORT

doubt that a New Zealandbased private firm employing the same number of staff (35.000) would be a more ef-

Internationally acknowledge

to be the fineside gare de harthe v

ficient user of resources.

finite, that the private firms have exploited the market to its fullest, and that the only way a newcomer can survive is to run at a loss, take business away established operators or a blt

But the Post Office already has an established infrastructure (offices in all centres, scope for free adan excellent chance of causing no great

lines as services provided by

The Post Office might take

business away from existing private firms. That would

mean the amount of work is

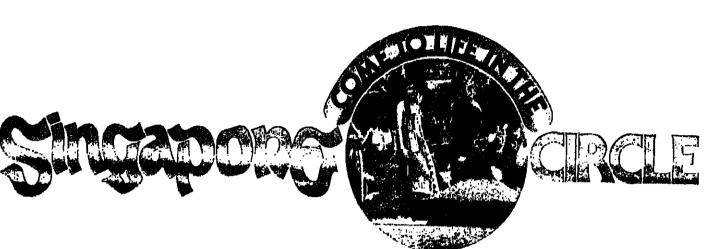
the private firms.

other centres and to provide a service for casual customers, once again along the same

The publicity announcing the new service suggests the Post Office will work alongside the private firms, rather than try

to run them off the road. But if the Post Office does not have to state its case before a Transport Licensing Authority, it will be able to start or stop services with no reference to anyone, with no need to prove "public interest" provided it regards its courier service as "mail" and not

The Post Office should consider using owner drivers working on contract for the actual courier work, in the same way that a number of private firms do . . . and Air New Zealand, for that matter. Owner drivers would need goods service licences. In this way the Post Office would get its service on equal terms and there would be no excessive expansion of the role the State



It's a long, tiring journey to the other side of the world. Enroute, by happy coincidence, lies the fabled isle of Singapore, a great and

well worth a few days' stay. Rest up by palm-shaded swimming pools, relax in splendid hotels, shop for a few gifts to take For more

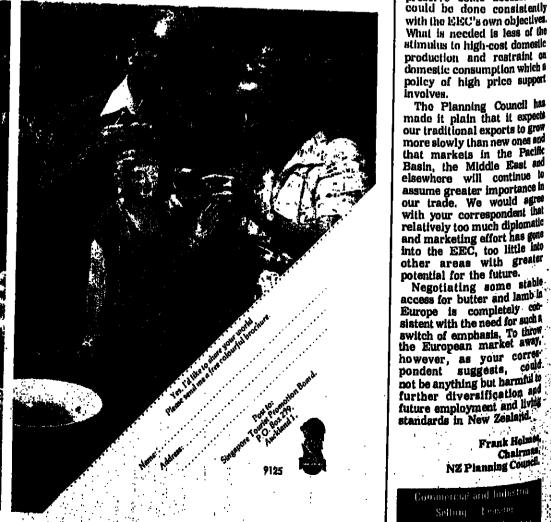
you back. And to make the sampling easy here's a Singapore package. Stay overnight for as little as \$14 including hotel, transportation and sightseeing. ful city.

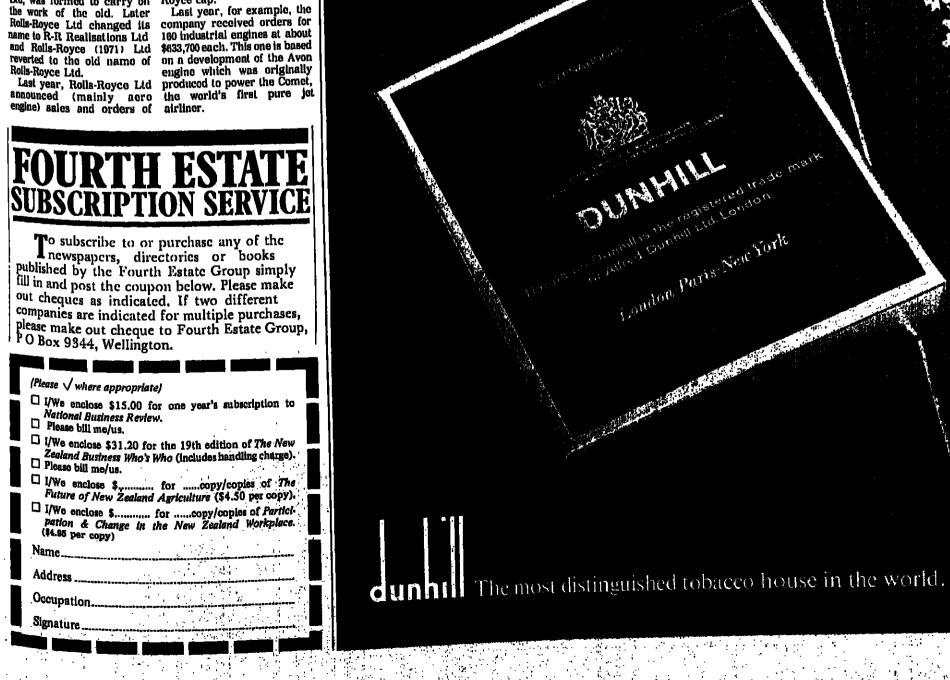
All the Orient comes together here, and it's come on, share our world. Singapore.

along. Once you've sampled Singapore, we'll expect Agent or post this coupon now. For more about Singapore, see your Travel

U.K.? Europe?
If you're going past Singapore
give yourself a Break.









Wage guidelines: wrong path Sharing out the Devaluation — without altering exchange rate

THERE are two primary guestions to be asked about any contribution to public

1 Is it true, or if not will it be believed to be true? 2 Is it useful, and if so to whom is it useful?

McDonald adopts a Swedish ployment. At one level, the observations are correct enough, though McDonald closses over the real tension between the role of wages as a labour cost and their role as an input to the reproduction of labour. This tension is as old as wage labour itself. The rapid rise in wage taxes which accommodated a rapid fall in company tax and the increasing fiscal needs of the State has been temporarily stalled in a minor way. Long

continue as a major problem. The substitution of "public goods" for "private goods" has not been seen as a trade-off by workers simply because it is not such. Increased government taxation has been linked with serious deterioration in a wide range of social services.

SPACE OFFICE -- WAREHOUSE INVESTMENTS

WEYBURNES

production which, for possibly wants of its major agent of

privale capital. Presently even the limits of "public" capital support are stretched to the

"unreasonable" (living standards falling in both absolute and relative terms) nor with private capital being extortionate (rates inacceptance of wage guidlelines, nor in voluntary acceptance of responsibility or

acceptance of a "reasonable wage path", which is what McDonald points towards, would improve profitability. In some industries (retail, local market manufacturing) it could easily exacerbate demand — rather than labour cost — affected.

Nor does the reduction in equity investment necessarily represent a reaction to low greatest lack of equity intowards internal generation of the relative lack of large pools of these is the case. of saving in the economy in

These faults in the Mc-Donald analysis stem partly from the level of agreements and high wage pockets. While from the level of aggregation in some instance technological at which he is dealing. Can one change is reflected in wage show that it is the industries and other payments, in others

a system of economic BEHIND Prime Minister "there is much to appliand a lengthy period, is unable to restore wage controls lies a setting in Sweden embodying satisfy both the wants of its belief among some economists the concept of a 'main path' for

issue, last week NBR printed 'normal' profits and encourage extracts from a speech by TK investment in productive McDonaid, director of the New Zealand Institute of Economic This is a real problem, in the sense that it has nothing to do with workers being that rewards to labour have industrial relations.

Research. McDonald argues by two economists involved in industrial relations.

D J Turkington, a senior growth and thereby con- D J Turkington, a serial tributed to growing unemployment and low private Relations Centre, Victoria sector investment levels.

dress this problem, in Mc-adopted by many business Donald's opinion. He says that circles.

labour cost which have had the is excessively slow to react. highest falls in profitability;

Now Wellington visitors have a new home away from home

Introducing Greenhill Lodge

Muldoon's recent threats to recommendations for wage restore wage controls lies a setting in Sweden embodying that growth in real wages has wage and profit levels, been excessive. allocating maximum long-run To foster debate on this returns to labour which allow

This week we print com-Research. McDonald argues ments on McDonald's speech

D J Turkington, a senior

McDonald focuses on recent national income going to vestment). Because it is a problem of this nature, its solution lies neither in the for shares income going to R J Campbell, industrial different production factors officer for the Drivers' such as labour and capital) Federation and the Shop whatever cries are deemed and comes to the conclusion Employees' Association that the share of national in- argues that the McDonald come going to labour (le, analysis is not a correct wages and salaries) is rising portrayat of labour market while that going to capital is problems or wider economic Policy makers should ad- convenient theory that will be

What this reflects is that the have these in turn been the McDonald analysis is a correct industries which have felt the portrayal of neither labour market problems nor wider profitability. Rather it vestment; and have they seen economic problems. Hence, it epresents a common trend the greatest falls in em- is not useful in the sense that it ployment level? I think one can be applied to solve those funds as enterprises grow and can confidently say that none problems. It is, on the other hand, a convenient enough Rather, the New Zealand theory and will be believed and circles, of course, is that some wage path (whatever its level) inconvenient and will break it.

national cake

wages in national income

term, they do vary with?

business cycle and there

nothing in McDonal

analysis to suggest that he

done more than spot a cycle

variation. It's well known b

in recessions profits lag bet

wages but this shouldn't

structural change or long to

profits, McDonald mis

much of the point. It is

suffered any great fall in the

should low real farm incom

into the future. New Zealr'

will really be in the cart to

reducing real wages. This:

by Don J Turkington

SHARES of the national cake employment decisions. are what the processes of production and distribution are all about and historically fairly constant over the b these shares don't change

The essence of Kerry McDonald's paper is that in recent years they have moved in favour of wages and against profits and that this change will have a detrimental effect on the New Zealand economy taken as evidence of a mi over the long run. His policy prescription is to reduce real vages so as to make it profitable for firms to increase

Let's look a little more closely at his argument. As companies which h every income earner knows. it's tax which makes the share of national income he difference and McDonald farmers. The farming shan stresses this with regard to now only about half what wages and salaries. While was in the early sixting wages and salaries have risen rapidly, taxes on them have and static agriculus risen even more dramatically production continue very so that the increase in real. after-tax wages and salaries has been in line with the the answer lies in the soils increase both in available applies to New Zealand k national cake and in real more than most of us can (before tax) company income. The Government, running true to form, has been the main on how he would impleme beneficiary of the recent his policy suggestion a

Unfortunately McDonald matter little as the mak doesn't pay as much attention appears already to be had to taxes on profits when this effect, He does wint considering the share of problems in the pres labour market, sided by adopted by many business company income. As opposed system of wage improvement policy, circles. The tragedy for these to the situation with wages and including the "iron last company income. As opposed system of wage im salaries, the rate of tax on relativities". Just as in of (possibly many) will find the profits has fallen so that areas of the economy, rema growth in disposable profits of many of the la has been faster than in total regulations and resides whether prompted by a union profits (which McDonald would go a long way to said

discussion and conjecture in the business community - and not for the first time. Indeed, Prime disposable profits which cor Minister Muldoon has been obliged to denv devaluation rumours a number of times in recent investment While share of profits o

In August 1977, for example, he ruled out any change to the New Zealand dollar after the Australians devalued.

DEVALUATION has become a major topic of

There were more whispers of a possible devaluation in September that year. Muldoon reiterated his opposition to devaluation.

Early last year, the Wellington business consuiting group BERL advised devaluation through its newsletter. The Prime Minister responded with an angry attack: "Anyone who conducted their business according to newsletters would go bankrupt very quickly."

In June last year, Professor K B Cumberland tipped a devaluation "immediately after the election if the Government is returned".

Another flurry of rumours swept the country in August, after questions were raised by a Reserve Bank suspension of quotations in foreign currencies other than the American dollar. Muldoon responded with another denial.

He returned from overseas in October to scotch Opposition suggestions New Zealand was about to

This year's bout of devaluation talk was fostered by the OECD report on the New Zealand economy. which recommended devaluation (provided a number of other measures were taken).

Indeed, devaluation fears began a run by New Zealand companies trying to replace expensive overseas loans, and by emigrants taking millions of dollars out each week to avoid an expected economic crunch.

80 now for something completely different. Canterbury University economist Brian Easton tells us how to devalue without changing the exchange rate.

MANY economists would support a devaluation. Their analysis centres around the view that the domestic price of our imports is too low, so we are encouraged to consume imports rather than manufacture our own goods; and that the return for our exports is too low, so we discourage domestic producers from

The economic arguments against devaluation are its effect on capital account raising the domestic cost of our foreign debt; its effect on domestic prices, which may spiral into inflation; the technical problems of getting a package of economic measures accompanying a severe objections come from oliticians, who do not seem to ppreciate the role of prices in

The result has been that natead of devaluing, we have programme of fiscal subildisation. Economists are becoming increasingly programme, not only in terms of the tax levels that are necessary to finance it, but because its impact seems erratic; therefore, the price allocation mechanism may be

even more thwarted. As an alternative to devaluation and fiscal subsidisation I propose a value-added tax of 14½ per cent. In principle, such a tax would be imposed upon the added value company. component of corporation profits, other factor income, and imports, and would be rebated on exports. But we would adopt the convention that the first 14½ per cent of corporation tax would be the value-added tax. That is why the 14½ per tax would be the value-nonentax. That is why the 14½ per cent rate was chosen, it being the lowest income tax rate on income on incomes of persons in the 24500 max

up to \$4500 pa),

Thus, the main change to the present tax structure would be a 14½ per cent levy on imports of goods and services. The effect would be to raise import prices by this amount, and so encourage domestic substitution. Assuming there are no exemptions (and there is no need for them) such a tax or imports would raise about \$600 million and add less than 4 per cent to domestic prices. This price effect and simultaneously reducing customs tarlifs (and perhaps overseas travel tax) by up to 141/2 percentage points.

At the same time, the valueadded tax can be deducted from exports. Since it is an indirect tax, such a deduction is not treated internationally as an export subsidy, and therefore is not "lilegal" under international trade agreements. The effect of such a deduction is to make it more profitable for exporting; its value to some industries could be substantial.

pastoral industry and processing could be more than \$300 million, to forest products more than \$30 million, and to manufacturing more than \$60

But with the introduction of the value-added tax rebate for exports, many fiscal subsidies for exporting should be withdrawn. The net fiscal revenue from added-value tax: Cess rebates, plus savings on fiscal subsidies, less reductions in customs tariffs) would be used for reducing income tax that is assuming, the Government budget is balanced).

The overall result is a devaluation on current ac-count: that is, the profitability of exporting and import substitution is raised relative to domestic production and importing. The income tax rate can be reduced domestic prices will increase by less than a par cent, and there is no

The Ross Committee on Taxation (Royal Commission on Taxation which reported in 1967) did not support a value-added tax because of the "administrative and accounting burden". The proposal here involves a

different method of collection from that considered by the Ross Committee. The valueadded tax on incomes is already collected by the Department of Inland Revenue, and there would be no need for even a separate record. For other factors and imports, it is a matter of the Customs Department using the excise tax system. (There may new tax would involve little, if

any, changes to most firms. A further merit is that the main change — the levy on is an almost universal acimports - can be introduced quickly, and the subsequent changes more slowly. Given and deducted from exports.

THE MONEY MARKET

phasing could be ad-It may seem curious that the

main effect of the introduction of a value-added tax would be a levy on imports, which are not "value added". This is a question of nomenclature. Socalled value-added taxes arose out of turnover taxes which included taxing imports. There ceptance that added-value taxes may be levied on imports

One of the theoretical

should pay for Government sumption makes little co-services. Under our present tribution to public welfare. taxation system, particularly with high levels of average income tax, some of the levied tax will be "shifted forward" consume the exports, that is

sumers of our imports, that is

appropriate for foreigners, ather than import consumers, to pay for, say, social tax on imports and deducted from exports, reverses this

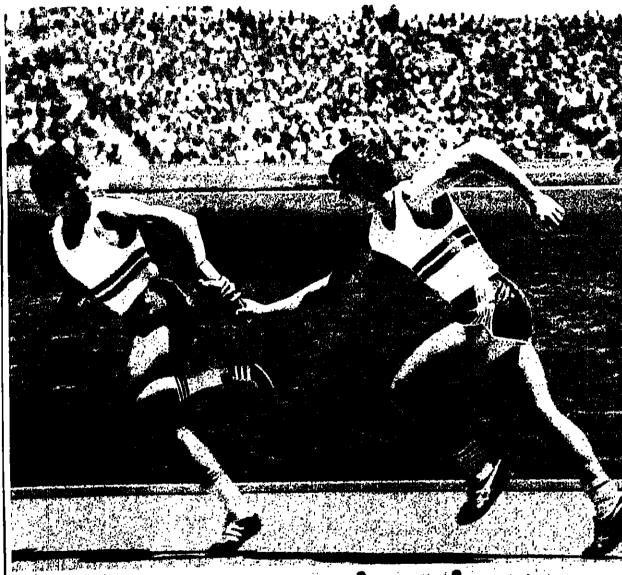
Another way of looking at the same argument is that it is likely that some of our potential exporters are stopped because our tax system requires the foreign purchaser to pay for the welfare state through the taxes on exports. But some imports

added tax is in terms of who Zealand because their consumption makes little con-

Nonetheless, our trading partners could see this as an ingenious way of imposing an import surcharge, and on to exports. That means that threaten retaliation because some Government services they did not think of it first. We will be paid for by those who can show our good faith by dismantling some of the protection levies and fiscal

> equivalent to a 141/2 per cent But it can be implemented and quickly, and if there is also a reduction in protection and erratic export subsidies some of the distortions from the fiscal system will be reduced. Given the present Inertia in policy towards long-term structural change, the proposal represents a major

Given the present Inertia in policy towards long-term structural change, the proposal represents a major



In a race against time, why risk your priority cargo changing hands?

When seconds count you don't get a second chance. That's why, when it comes to cargo movement, you need a distribution system with no slip-ups that could cause late or non delivery. Now Air New Zealand Cargo offers the complete New Zealand-wide distribution system

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Nickel industry crisis: will it spell change in New Caledonia?

by Jenny Morrel MOST countries have economic problems but it seems reasonable to say that New Caledonia — a French overseas territory in the

than most. Its economy is based on one main product nickel — and nickel sales have plant near Noumea, and Noumea, the capital of New Caledonia, is a fascinating and confusing city. With a population of only about 50,000, has perhaps more restaurants and nightclubs

These are still doing a thriving The large marina is full of expensive pleasure boats, of all for Ne everywhere there are high prices rose. apartment buildings, exclusive little boutiques and French coiffeurs abound.

than any New Zealand city.

At the supermarket you can buy cheeses flown in from France, fruits from California — in fact, almost anything you can think of, if you are prepared to pay. Luxury goods of all kinds are available, but the prices of everything are

On the other hand, you can see the unemployed hanging about in the central square or the backstreets of town, the second-hand car yards are crowded with cars they cannot sell as many people leave the country, and at night the unlit windows testify to the number

In the newspapers, notices of bankruptcy are becoming common, while offers of employment are rare.

loumea was a boom lown from 1969 to 1970. Nickel prices

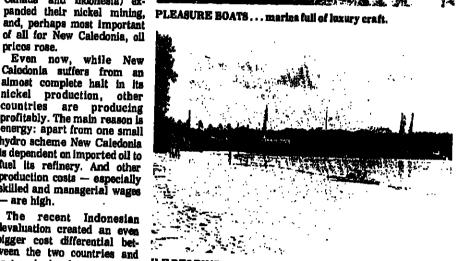
War and New Caledonia was a leading world producer. People flocked into the country, housing was at a premium, prices soared. Blocks of apartments went up, new land was developed, roads Pacific — has a crisis worse were built, and grandiose schemes were planned. There was to be a second refining perhaps others elsewhere. more nickel companies were to be allowed in, a modern highway was to encircle the rugged

> Then the world nickel price fell, other countries (such as Canada and Indonesia) exand, perhaps most important of all for New Caledonia, oil

Even now, while New Caledonia suffers from an almost complete halt in its nickel production, other countries are producing profitably. The main reason is energy: apart from one small hydro scheme New Caledonia is dependent on imported oil to fuel its refinery. And other production costs - especially skilled and managerial wages

The recent Indonesian devaluation created an even bigger cost differential between the two countries and sent a ripple of apprehension





But there is something Franc Pacifique, remaining Prices in general are very high in New Caledonia. Partly shopkeepers in general expect Caledonia's relationship with

Nickel", and provide that tradesinen and businessen On the one hand, the French Noumea.

Government and many Caledonians) insist that this Overseas Territory will remain French. On the other, with 1.3 million unemployed at home, the French may not be keen on financial aid for this siling economy, but the Caledonians are likely to had come to Nounes to p demand aid as the price of at the refinery, and man their staying closely tied to

A polarisation of local about depart. mentalisation decoming a full rovince or integral part of France); the other mentions, rather warily, full independence as the only option if France refuses to grant greater internal autonomy to

The population of New Caledonia is a great mixture: about 40 per cent are European tmore than half of these are "colons" or settlers; the rest on wages similar to that are "metropols" in the colony under contract as public and business people and servants, doctors, teachers, easily five times, and mp and so on), just over 40 per cent 10 times, as much - 16 are indigenous Melanesian and just under 20 per cent are by the lack of income by "others", which include many Wallisians, Indonesiuns, Vietnamese, West Indians and

Most of the Melanesians live on the wetter east coast, where they were shifted by the this is a result of the tax system: there is no income tax but everything bears import or but everything bears in but everything bears i sales tax. Second, the boom concentrating on high turnpushed prices up and people over?

Tremen ruynesta, which upes traditional subsistence gartroubles. The present dens, coffee for the local

Noumes plant but also by the "petits mineurs", who export the crude ore to Japan for

Nounce.
The metropols live may
Nouncea, as do the "offe processing or sell it to the SLN.
It is above all the fate of the who are mostly employed SLN which is of interest, for this earns the majority of The unemployed sea Noumen are likely by others', Melanesian y overseas funds, employs more people than any other economic activity in the country, and is indirectly responsible for the livelihood

of most of the population. In mid-1978, there was a six-The frequenters of a restaurants and against tout-owners and puchase luxury goods are showed week strike in protest at a proposal to cut wages to delay laying off staff. This ended in a metropols, on contract t negotiated cut accompanied by reduced working hours and very high salaries (m) grounds that hardship increased holidays and had the creases with distance in effect of causing a number of Paris!) and the few was metropols, whose contracts had been breached, to pack up colons, most of whom h made their money h and leave. private mines.

The question is what hap-There is a tremendous as pens next. With the company already running at a considerable loss, will it close of incomes here: from \$ unemployed, receiving a little in benefits and water completely or at least for several months of the year? New Zealand, to profestin This would cause phenomenal unemployment and political Naturally ference which is access? ministration has been aware of

the growing economic The main island of & problem. For the last few years it has been trying to encourage agriculture and Caledonia is about a que the size of the South blade New Zealand. It is rugged a dutating coastline and is

Travelling around t island, you see everywhere which are the nickel miss are rejuctant to bring them And when the economy is so down. Third, the wealthy class depressed, why is the can afford to pay high prices. currency, CFP or Colonial relationship between New drier west coast, work for "Le mainly by the Societa is constitution of the colons raise cattle on the mainly by the Societa is surface-mixton." mainstay of the economy.

The agricultural sector was perhaps more developed at the turn of the century than it is today, for then the settlers were still enthusiastic. especially about beef raising and coffee. The development of the

nickel mines and the high wages available attracted people from the land, the supply of cheap Asian farm labour dried up, and the agricultural sector got left behind. Some of the colons continue to raise beef on the western foothills, satisfying the local market, and Melanesians have taken over the coffee growing to supply their cash needs, producing enough for the local market and a small amount for export. But recently marketgardening has increased, considerably cutting imports of vegetables, new small industries such as beekeeping are starting, and there is a little new life in the agricultural sector — which

one would expect to be im-

portant, at least for the

domestic needs, in this

isolated, thinly populated

tourists. seems to be living in an unreal more self-sufficient and hardy

group of islands.

life" including

Zealand) tourists.

LOADING ORE . . . at Thio, south-east New Caledonia. world. Everywhere there are Tourism has had a much more dramatic growth during unemployment is high and the the seventies. Offering future of the main economic primarily "a taste of French

If the nickel collapses, there restaurants, wine and boutiques, and also an excellent climate, the white sand beaches of the outer islands. such as 1le des Pins, and the curiosity of the Melanesian villages as seen from the "bush hotels," have attracted Islands.) a lot of Australian (and New

colons and Melanesians who But Noumea is expensive for will have to cope with the tourists, it does not have the decreased standard of living "Pacific paradise" feeling of, and the economic development "Pacific paradise" feeling of, and the economic development say, resorts in Fiji, and the of this basically undeveloped Caledonians do not seem to be country. It will be difficult for wholehearted about wanting the urban Melanesians; the At present, New Caledonia manage because they are

will be an exodus, specially of metropols, many such as the Wallisians will be in a quandary with no employment to go to in their own countries there are more Wallisians in New Caledonia than in the Wallis But eventually it will be the

colons argue that they will

NICKEL PLANT . . . at almost complete halt.

than the metropolitan French who are giving the country its false glow of prosperity. In some ways, the nickel

One resource which has hardly been touched here is the sea. New Caledonia has the largest reef fish resources of any Pacific country - not suprising, when it is encircled by a reef on average 5 cilometres from land and Barrier Reef In size. A stop to the nickel mining would have

at least one good effect in stopping the pollution of this valuable untapped wealth. The nickel crists could bring

which erupted during the last boom and have simply tottered on since.

While the development of agriculture, tourism and crisis should be good for the fishing would help tremendously in putting this economy bust cycles typical of an economy dependent on a single primary commodity, it is nickel is "finished"

It is by no means the first time that New Caledonia's nickel industry has been in trouble: in 1947 the re(inery was closed for 10 months of the vear. That time, recovery required modernisation and mechanisation of the plant to reduce costs. Perhaps the present crisis will force

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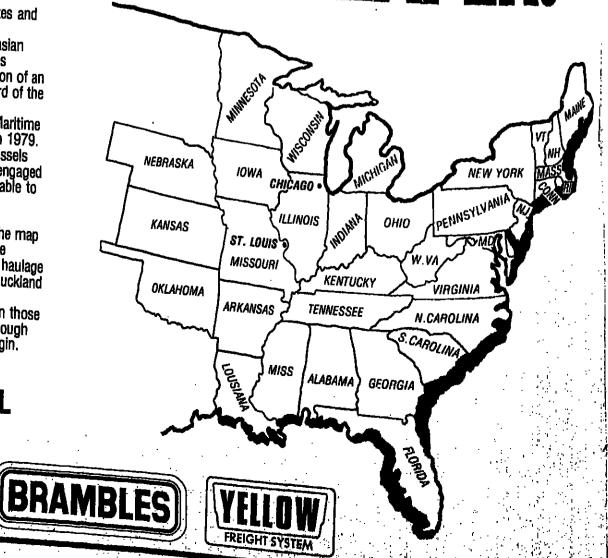
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